

Interview with Henry Bardach

The Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

HENRY BARDACH

Interviewed by: Charles Stuart Kennedy

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[Note: This interview was not edited by Mr. Bardach.]

Q: Henry, let's start sort of at the beginning. Tell me when and where you were born and a bit about your parents.

BARDACH: Yes. I'd be very glad to. In fact I think you might almost give a heading to this interview and call it "From the Rhine to the Potomac." I was born in Dusseldorf on the Rhine in the Western part of Germany. I was born in 1921. This was fairly recently after the First World War, and the shadows of that war were still very much with the country, with the city, with my family. I was born into what you might call a well off family. My father was a physician. He came from a physician's family. My mother's parents, my grandfather was an industrialist who had a factory in Dusseldorf making refrigeration equipment. He had been one of the pioneers in developing a so called ice machine in the early part of this century. In fact, I should mention a prototype as an example of what he manufactured, the original first ice machine, refrigeration machine in Europe which he invented, is still on exhibit in the Deutsches Museum, the German Museum. My father had a good practice. We lived in a comfortable house. The family was at least in good part of Jewish ancestry, but all the people on my father's side had been converted to Christianity. This was even

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before I was born. So, I was baptized; I was raised as a Protestant. I really didn't know anything else. I was aware of the fact that my mother's parents were Jewish. They were not orthodox but they were Jewish. Members of my family, my uncles, were all pretty mixed, so that I was brought up to understand the differences in religious approaches, but it wasn't anything terribly bothersome. Nobody seemed to take exception to the fact that I on Sunday went to a Protestant church when some other members of my family were going to a synagogue.

Q: Was there a Jewish community in Dusseldorf at the time?

BARDACH: Oh yes. There was a Jewish community. If I'm not mistaken, there were at least two synagogues which fell victim to the Kristallnacht, crystal night in 1938. Oh, yes, there was a Jewish community. I had what you might call a fairly stable, happy youth. I was in school, first for awhile in a private school, then later on in public school, and finally in a gymnasium.

Q: Hitler came in in the 1930s First back to the early part of Dusseldorf. Was Dusseldorf what was considered the Rhineland that was occupied by the Allies? Were they still going through any residue of that?

BARDACH: In fact, I'm glad you asked this question. I feel that, in a sense, my whole life has been a function of important historical, not a function, but has been accompanied by many important historical developments. I began to feel this impact quite substantially on me and my family because, first of all, there was still an occupation in the 1920s. I don't remember the precise dates. We actually billeted in our house, we had a very nice big house in Dusseldorf, we actually billeted some French soldiers for awhile. At that time it was part of the French Zone. It was not that way in the Second World War; it was British. I remember very well the young officers that were there. They were very pleasant. There was no hidden animosity, but they were there. Eventually they left. We didn't regret that they had left. On the other hand it didn't fill us with any special joy either. They had been

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pleasant people, and they were nice to us, so there was no particular bad feeling about it. That was number one. Number two, that in '22 or '23 things in Germany were already becoming politically unstable and, economically of course, even worse. You had the opposing groups. These were people who were not particularly in favor of the Weimar Republic. You had the Spartacists. You had the old loyalists. You had people of the Steel helmet, Schtallhelm.

Q: These were the right wing veterans.

BARDACH: Exactly. I know how my parents always told me how they went rushing upstairs to the third floor where my room was because our maid, the nanny, was holding me as a child near the window. She was watching outside; there were riots going on. There were riots quite frequently, and there was shooting. They were afraid with stray bullets flying around, that our curious maid would hold me too close with the window open (Europeans love to have open windows as you know), so they grabbed Maria and said come on get out. So you might say that my first brush with danger came as early as 1922 about a year after I was born.

Q: Is the name Bardach associated with the Jewish name in Germany or not?

BARDACH: No it is not, although there were Jewish Bardachs I discovered many years later in Vienna. I believe there are some there now. The name originates in Eastern Europe, in Russia. It is a mixture. Again, there are mixed ethnic backgrounds in it. Basically I think it was a Jewish name. Originally it was a Russian name.

Q: Now when you went to gymnasium about 1933, you were 12 years old, so certainly you were listening. Were you aware about your family talking about Hitler?

BARDACH: Oh, yes. I became aware early on in the late '20s. I remember my father who was really what was known there as a Social Democrat, a solid, middle of the road party. Definitely not pro Nazi. I remember him talking about the enormous fragmentization of the

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political scene, the many different parties. It was a continuous hassle. I remember him talking that this did not augur well for the Republic. However, no one in those particular years ever suspected for a moment that one day what happened, dissolution of the parliament, change of the constitution, change of law and order, that this would happen as radically. Nobody in those years, the late 1920s had the vaguest idea that this would happen.

Q: How about the inflation at that time? Did that...

BARDACH: Inflation, of course early on in the '20s, here again it is only from hearsay from my family, but they did always tell us the story of where in the morning they would rush out to buy a loaf of bread which was then say 1000 Marks. When afternoon came around, the same loaf of bread had increased to 2000 Marks. That went on for some time. I remember them telling about that.

Q: How did you find going to the high school equivalent, the gymnasium was in the early years of the Hitler time? It must have been sort of traumatic.

BARDACH: Yes it was, but it came very gradually. It impacted on my sister who is four years older than I am somewhat more. By being four years older that already made a difference. When I was 12, she was 16, and of course sixteen year olds are more sensitive. I remember very definitely that early on it was clear that there became certain factions in the classes among some of the teachers. There were those early on who joined the Hitler Youth for example. It was initially of course a minority, but it grew, and then those who did not (obviously I did not). It became somewhat stressful, and also you could see the different attitudes of the teachers which by themselves were a very interesting contrast. One of the things I remember very vividly, even before gymnasium, from my early studies is that the German textbooks whispered about World War I in favor of making the student think that "Poor Germany. We didn't have anything to do with it, at least only in a limited way. The Kaiser was really not all that bad, and that the British had started the

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war.” I remember that very distinctly as an elementary school student. It was the British that started the war; we didn't start the war. This was before the Hitler time. It was just the way things were written. I don't doubt for a moment that similar things existed in other countries like France where they probably had things turned around the other way. This didn't make an impression on me. My family had been in the military. My father was a physician in the military on horseback I might say. He fell off once somewhere in Belgium and hurt his arm. They were all good members of the Reich's army. My uncle, my mother's brother, had also been an officer in the army and quite high ranking. He was Jewish. All of them naturally felt later on that the country was not being fair to them. After all, here we were just Germans before in the military etc. What I'm driving at I think my family certainly could see that the answer was not a cut and dried, yes, you were guilty. I think they tried to instill this feeling of balance into our thinking about the First World War. I think many of our friends and other families also felt very strongly that the results, the Versailles Treaty, which I think everyone agrees nowadays, in retrospect, was a terrible mistake. Economically speaking, certainly it was a ridiculous mistake. I think they felt that it was creating many problems. Political problems which I just caught during the end of the '20s. This intensifies, of course, once Hitler had taken over.

Q: With you though, in school, did you find your fairly liberal balanced outlook coming from your family; was this causing troubles for you in school?

BARDACH: No. Not in the earlier years. This certainly would have been troublesome after 1933. By then the teachers were told to take a very doctrinaire view that Germany was done in and had to recover and was stabbed in the back. We had to re establish ourselves in the world of nations. I remember also some of my teachers who made the point that maybe this new leader was going to rectify the situation. Oh yes, that was very definitely there. Of course, my schoolmates and my friends, I would say that most of my friends and most of my sister's friends in those years were Christian friends. We did have some in the family and some Jewish friends, but the majority were Christian friends. They were aghast when I think it was in about 1934 or '35 somewhere in that period when they began

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to catalogue the so called non Aryan people. Businesses, Jewish, non Aryan etc. There came the day, I think it was about '34 or '35.

Q: So this was when you were in gymnasium.

BARDACH: Oh yes I was in gymnasium. I remember coming home one day. You know how in Europe the doctors and lawyers have fairly large signs outside the buildings. You can see, by the way, there are wonderful examples of this in the Holocaust Museum, excellent photos and pictures. Here I came home and there was a big red or yellow piece of paper pasted across my father's medical shingle saying that this is a non Aryan professional, and we recommend that you not deal with him or something along those lines. I don't know the exact language. There are photos of that type in the Holocaust Museum. That was a bit of a shocker. Then, I remember friends and fellow students and even neighbors saying what's going on here; what's this? They couldn't understand it. The impact of the Nuremberg laws was only gradually taking place.

Q: The Nuremberg laws were the racial laws that the Nazis put in.

BARDACH: The Nazis yes. Well, among other things, but particularly the racial laws. Then it became a much more acute situation in terms of my feeling that I'm not a member of this society any more. But this didn't break off friendships right away. Not at all. It just cast a shadow over everything we were doing. My sister was much more sensitive to this and felt it even more and urged my father not to wait too long before making some kind of a move. It is not an easy thing to do. Families who are... In Germany it is ironic, but the degree of assimilation of many of the Jewish people and also of the other minorities was very great, much greater than in many other societies. My dad was close to 50. The idea of moving from his roots and starting somewhere else really was a very difficult thought to accommodate oneself with, but of course like many others eventually he did. Fortunately, he didn't wait too long. He made his first stab at checking out the US. He went to one of the big ship lines.

Q: Hamburg American Lines I'm sure.

BARDACH: The Hamburg American Line, and I think the ship was called The Bremen if it wasn't called Hamburg. He came over here. He did have some distant relatives, some family contacts on my mother's side. He took a look at the situation. This was in 1935. He had a visa. I believe he had a visa for all of us. He came back having had a very useful good time. I remember, as a matter of fact, just as a little sideline, while they were here, they were in New York. They really didn't travel much elsewhere, because I think New York was where it was the most liberal for offering medical slots for refugees, or it was the easiest for a doctor to pass the State Board. But, at the time, they were invited to attend one of the first performances of George Gershwin's Porgy and Bess. Can you imagine that. That was in 1935. But, even that didn't quite persuade them that they should make this move. My sister was very upset. I was upset too, because during the time they were on this trip, several things happened in school that were digs and certain pressures from the teachers, things of that nature that made us feel that we really ought to leave. I think we, my sister and I, especially my sister, had a greater perception or feeling at that point of the possible denouement of what was going to happen there than my dad did. So many of the Germans at that time, and I'm not speaking of the Jewish Germans but of Germans in general, felt that, oh, well, this is going to settle itself down. They can't go to extremes. There was also this uncanny feeling by educated Germans that somehow the League of Nations would be playing a role. When Hitler went back into the Rhineland eventually, of course, nobody really lifted a finger about that. There were just simply the extremes that eventually occurred in Germany. I'm not just thinking about the Holocaust but the entire marshaling of the country's resources to the Hitler doctrine, to the country's disciplines, all of that. I don't think in the 1930s people thought it would go that far. That, of course, as we all know, was a miscalculation. My family did eventually move in 1936, having again deposited us at school in England through family friends and contacts on my mother's family side. There were some distant family relatives in England. These people were instrumental in getting us into school in England. I went there in 1936. My father left in the

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latter part of 1936 to establish himself here in Flushing. I stayed at school. I liked it there. It was a wonderful school, a public school. I was a border in Bedford School, and came here in the summer of 1937.

Q: Were did you go to school in New York?

BARDACH: I finished high school. I was able to do that within a year because I had already been in gymnasium in Germany; I had been to the equivalent of public school in England. I had one more year to go to get my high school diploma here. I felt it was a good idea to get a high school diploma here, and I finished that in 1938.

Q: So then what did you do?

BARDACH: I went to undergraduate college first in New York.

Q: Which school?

BARDACH: Queens College which was newly established at that time. Then I decided I needed to get a job. After all, these were lean years. Then, too, getting re established these were not economically happy times.

Q: Still the depression was on.

BARDACH: It was still there so I felt I needed to get some work experience. I tried to get a job which I did. I went to night school for awhile. I went to City College at night. I had various jobs, none of any major significance. Possibly I was a guide at the New York World's Fair in 1939 for the American Express. They had the concession there for this, and that was a good job. It was a nice job because people tipped well. We had to push them in these little wagons, and that was kind of fun.

Q: And it was a rather impressive world's fair. I remember the Trialon and the Perisphere and the world of tomorrow and all this.

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BARDACH: That's right. GM had the World of Tomorrow. There were many countries that participated the first year but because of the outbreak of the war, you remember the war started in September of '39, it sort of fizzled out. I think the second year, '40, was somewhat...

Q: How much of your family had left Germany by that time?

BARDACH: Of my immediate family, several of them made the mistake of staying very long for different reasons: business, the factory, parents still alive and living there, and they waited to get out pretty much until the end of August, 1939. Hitler invaded Poland September 2 or thereabouts 1939, and some of them waited too long and found themselves in England having a very tough time there.

Q: Enemy aliens.

BARDACH: That's right. Enemy aliens. Very difficult to get any kind of work. I remember one of my uncles tried to eke out a living by working part time as kind of a co owner of a flower shop, things of that sort. My aunt, who was also a physician and quite a prominent one, also came very late in 1939 to this country. She had separated from her husband who remained in Germany. She also had to re establish herself again gradually but did so successfully becoming ultimately the medical director of a major hospital in New York, the St. Boniface Hospital. I think my immediate family were among the first to make the jump.

Q: Well now, focusing back on you, while you were going to Queens College and CCNY and doing these jobs, what did you want to do?

BARDACH: Okay. I think that in my early years I had two great passions. One was trains, railways, and the other was music. With regard to the former, the railways, my dad always used to say my God this guy is really not a businessman, he ought to go into the German railway administration eventually. That's of course assuming everything else being equal, which it wasn't. I loved trains. I read a great deal about them. I collected timetables. That

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was one of my great passions, so I would say that was certainly one of the things I might have done. I might have gone into, had my life not taken the turns it did. The other was music. None of my family were performing people, but they all had a great love for music which in Germany is not all that unusual, because in Germany it was quite customary for a good middle class parent to take his children to the opera at some point during his youth, to get them introduced to Hansel and Gretel obviously. I loved music; I loved listening to music. I took piano lessons, and that didn't last very long. I got timpani lessons and even got to play timpani a couple of times in my high school orchestra, but the political changes and the surrounding atmosphere made the study of music, even if I had really wanted to go ahead and my parents had pushed me in that direction which they might have eventually, that was out of the question altogether. At that time I certainly was not aware of the Keynes book *The Economic Consequences of the War*. However, I always had the feeling that there were some things lying beyond all of the things that were happening there. There were some root causes to this, and it was always interesting to me to see the long lines of unemployed and the kinds of people that were being recruited into the Nazi legions. The SA were, generally speaking, at the lower end of the social spectrum. It made me think there are things that are distinctly wrong here. Certainly there are certain causal effects here between social instability and poverty and extreme political movements such as the Nazis, so I began to become interested in that. Then, of course, this accelerated enormously during my early studies in the US. I could see the war coming. There was a period where I wasn't entirely certain; I was kind of floating about what I wanted to do with my life. When I was inducted into the army, and the war had begun, I could see that international relations was something that was of particular interest to me. I became very much interested. I think our generation had much more impetus, much more motivation to do what we eventually did in the State Department or whatever. I don't know what year did you start?

Q: Well I started in '55, but obviously I was in a way as affected, but not quite by the depression, what it did to our family, by World War II, although I didn't participate in it. My

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war was the Korean War, but the point was it was war, the world drags you in, and also if you got a job, you stay in it because both war and depression focus the minds.

BARDACH: Well, I had, of course, a bit of both. I had the depression, political turmoil, the ascendancy of autocracy or what you might call almost modern feudalism, dictatorship, then the war itself. I think that my generation, the people that came into the State Department during these earlier years, almost all of them were veterans, had a very particular kind of motivation which was we all shared — a feeling that something such as a Second World War should not happen again. There were great stakes. Also, the feeling that the United States... You know, when we came to this country, there was still a great deal of isolationism. I obviously felt there were very grave dangers inherent in that kind of an attitude. All of these things came together to make it very clear that when I came back after the war in '45, that was the course I was going to embark on.

Q: Let's talk about getting into the military. You were obviously prime bait for the military. When did you go in, and can you tell me a bit about your service?

BARDACH: I went in in August of 1942, and I was sent to basic training to Fort Belvoir. I had my basic training there in the engineering corps, but it was just regular infantry basic training. At the end of the basic training, about a two month thing, they had found out that at some point a few years earlier I had taken a secretarial course to help me get a job. I had actually taken typewriting and stenography and administration, a few things of that nature. The Commandant of the engineering corps training center at Belvoir, was looking for an assistant, somebody who could do typing and take stenography, and there weren't that many men who had that specialty, so they grabbed me and said would you like to work for Col. Bailey, the Commandant. It was very pleasant at Belvoir, close to town, not far from New York, and it was not uninteresting either, although I had no engineering background whatsoever. So, I was there until 1943. I was there for almost a year, and then the military personnel system finally came across the fact that I had been born in Germany, that I spoke German, that I had that particular background, and that very quickly

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brought me into the intelligence school at then-called Camp Ritchie, now called Fort Ritchie, in Maryland, very close to Camp David. In fact, they are doing some things there with Camp David. This is where I entered the course to become an intelligence specialist, an interrogator of prisoners, an order of battle specialist. I was in Camp Ritchie for several months, and then we were shipped out in the early part of 1944. I was shipped out with another group of specialists to England. I should make a comment about the intelligence training. It was a very intensive course, and the fellow students were all very interesting people. They were mostly people who had been born abroad, not just German by any means. We had Japanese Americans there; we had French. It was a vast storehouse of I would say a very intelligent group of people. For example, the son of Thomas Mann who had come to the US as one of the students. There were families of famous singers etc. writers. All of these were a very important resource because they could be channeled into different war functions such as propaganda or radio transmission. We had a few colleagues in DACOR [Diplomats and Consular Officers, Retired]. I don't know if you knew Robert Barr or Karl Mautner who was with me as a Dacorian.

Q: Dacor being the diplomatic and consular officers who are retired.

BARDACH: Yes. The club of the retired Foreign Service officers. As I said, it was a very intensive training course; particularly important were the classes in order of battle, also the special order of battle training course. This was very intensive in order to get some idea of what was opposing us in terms of German military prowess. It was necessary to learn and study the different army groups, the different corps, the different divisions of the German Army, and the names of all the commanders. There were the Panzer SS, the names of the divisions, the Waffen SS, the whole business. We had to memorize these. That's the point. We had highly classified books; one in particular which had an enormous amount of detail about the various designations and what they meant. This was not something that we could stick into our pocket. That was a no no because if that fell into the hands of the

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enemy, that was information we did not want them to know that we knew about them. So, we had to commit this to memory. That was a mighty tall task, grueling.

Q: I might point out that to my knowledge, the German Army was a very complicated thing. I mean, you had your regular army; then the Luftwaffe had its own army, and the SS had its own army, and then it broke down. It was a complicated thing to learn about.

BARDACH: Yes. I am very sorry now in retrospect. I was able to find the very book that was top secret during the Second World War. I was able to find through the help of the National Archives; I was able to buy it. Actually there is a small publisher of military things, and I was able to find it through a local bookstore. It has actually been published, and I have it at home. For me personally it is a unique document because it did have a lot of information in it. After Ritchie, I was ready to be shipped out. That was in the winter from '43 to '44. I remember that I was still able to spend Christmas at home, but then in early cold January, we were in a collecting station at Fort Lee in New Jersey, a Repo Depot. We were taken over to Brooklyn where all these troop transport ships were docked. We left from there on a very crowded ship; it was not a comfortable journey, to say the least, to go to Liverpool, England. Our ship was part of a convoy. At that time everything went in huge convoys. I think there may have been as many as 100 ships in our convoy. They were, of course, surrounded by destroyers and anti submarine patrol boats to keep us from getting blown up. I also recall very vividly that we all took turns at watch at night on board the ship. We had different places on the ship, and everybody had a watch, four or five hours or whatever, to see if we could spot anything peculiar floating around. Anyhow, then we got to Liverpool. I think it was at least a six or seven day journey. From Liverpool, we were taken on a troop train to another Repo Depot, a place in England where different people were distributed to different divisions. Now I was part of an intelligence team. The military and our army was then getting ready with the planning and implementation of Overlord, the Normandy invasion. Being still young and looking fairly fit, they decided that I should go with a team that was going to go with none other than the 82nd Airborne Division led by General Ridgeway with other luminaries such as General Gavin who later

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on became an ambassador. My team went to the division, and there was another team. There were three parachute regiments and one glider regiment, the 325th Glider Infantry. We were introduced to the G 2, the intelligence chief of the division, a very tough colonel. He greeted us at his place. He said, "Well, all of you. You are all going to jump of course." Only some of the people, like Karl Mautner, for example, had jump training. "Which one of you isn't going to jump?" We kind of meekly raised our hands and he said, "Fine, you'll go by glider." That was the beginning of my glider experience. I did have some training in England with the glider people, but gliders were not considered a voluntary specialty. I felt that gliding sounded like a very smooth way of going across to France. We were assigned to the commander of the 325th glider infantry, and of course being intelligence specialists, we all were involved in what you might call micro planning for the invasion. The macro planning, the big picture of course was done more in London, but we were components of it, and we went into Utah, one of the beaches, Omaha and Utah beach. We obviously helped in trying to figure out how best to implement the strategy. The whole idea of the glider landing was a theory that had been developed by the military. I don't think it was essentially by the Germans but the Germans weren't using gliders anymore, called vertical envelopment. The old style envelopment you would surround the enemy. You have a frontal attack, but you also have an attack on both sides and try to come around. With vertical envelopment, the idea was the infantry waves come across the Channel and land, but in the meantime we drop either before or simultaneously paratroopers and support these paratroopers with gliders that come by air. So we had a great deal of material that we had to wade through like the mayors of the various cities like St. Mere Eglise etc., in Normandy the different areas of topography. We had photo intelligence, nothing like what is available now. It was pretty rough, plain stuff, but we had photo intelligence which we could use to take a look and see where we might land. That was the preparation for the big day which, of course, was delayed as everyone knows. That is part of history that the invasion was delayed by a day. I might mention here that we were already sitting in our glider when we were told, no, it has been postponed again.

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Q: You might say what happened again on the sixth of June.

BARDACH: Well, on the sixth of June then, the first wave actually went in minus D, three or four hours during the night. Those were the paratroopers. Then we staggered the gliders. Many gliders would take off together, but, of course, you couldn't have a whole glider regiment go off all at once. The morning, midday, late on D Day, there were glider contingents that came in. I was in a glider. The American gliders were a bit smaller than the British, which was probably an advantage. We had about 18 people or so in a glider. My glider had a mixture of people. It was a support group. It had the intelligence team, four of us, some medical personnel, regimental headquarters personnel, one or two chaplains to help us with our prayers. That was it. We went; we could see it was daylight, of course, then. We could see what was happening. Glider operations are fraught with different unexpected vicissitudes, and there was, of course, a lot of anti aircraft fire. The pilots of the tow planes obviously wanted to get away from these things as much as possible. For all intents and purposes, very few of the gliders landed where we thought we would be landing. I remember watching gliders that were in definite trouble. You could see that. Obviously we were hoping we would remain intact and come down smoothly, which we did. The Germans, of course, had anticipated this, an airborne assault, and had placed into the fields of Utah beach at Normandy, the so called Rommel asparagus which were poles which were tied into mines or other explosives. Also they felt that this would be useful against land assault groups like personnel carriers, tanks and what have you, but particularly for the gliders they had some of those. Then they inundated the fields. They let water come running into the fields thinking that well, if we can't get them any other way, maybe we can drown them, the enemy. This turned out to be a boon for us because the water was not that deep. It was not that much water, maybe just a few feet. Where we landed there was water. We landed in this puddle of water, and it actually smoothed the landing. It was like landing in a seaplane. I found I was sitting in water up to my waist. My famous phrase for that, I had wet pants in more ways than one. I was carrying a carbine rifle in my right hand. Incidentally, we had to be careful with anything hard like a rifle butt or

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the end of the rifle, because if it punched into the side of the glider, a glider is a very flimsy thing. It was easy to punch a hole into the side of the glider which would not have been a very good thing because air comes in and whatever. In the other hand I had a typewriter to make immediate reports on any intelligence findings of any value that we had. I was very eager to preserve this typewriter, so I remember I got out of this thing, and I think my carbine was pretty wet. I also had a pistol so I held my typewriter high. I claim, although that claim could be disputed perhaps because this was a long beach and there were other people, but I had a claim that I was the first GI with a typewriter to land on Normandy. I haven't had anybody dispute this except possibly correspondents. There were about 20 reporters that came over, not with the airborne but with the boat landings.

Q: Then what happened?

BARDACH: Then there was confusion. Confusion because we obviously had to regroup. The landings had already begun, but several miles back it was very much in turmoil. It was very difficult to know where there were pockets of German resistance and where the Germans were. Our instructions were to regroup as a regiment with the different companies. My first task, with two or three other colleagues, was to find regimental headquarters wherever they might be regrouping. That took a little while to get ourselves organized. It took several hours as a matter of fact. I believe the first night we just slept wherever we felt it was safe to sleep and stayed there. The great danger were the snipers. The Germans had left behind snipers. Some of them were Germans; some of them may have been local, that is German local loyalists. Because of the topography, the hedgerows that very rich hedge country and quite a few trees, it was very difficult to know where a sniper might be hiding. I think that was the most immediate danger were those snipers, or possibly German patrols. You may have seen the movie, *The Longest Day* which was reasonably accurate. There were German patrols running around you didn't know but what you might come face to face with a patrol. The paratroopers had this little clicking device like a little frog you would click, but the Germans got wind of that, and I think there were some instances where they fooled allied forces. The first task, of course, was to see if

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there were any prisoners. The division went into action very quickly. We had to because we had some bridges across the Merderet River, I believe, that needed to be taken. The paratroopers were on these bridges and were trying to hang on to them. It was a tough job, and they needed the support of additional infantry. The paratroopers and the glider infantry were able to help them there. We did get some prisoners right away. There were quite a few of these prisoners, I would say always except for the SS divisions or so, most of the prisoners were what you might almost say voluntary prisoners. Not all, but they knew the time was up and they were quite happy to...

Q: Well, they had also some second or third rate divisions there too.

BARDACH: Exactly. They had some divisions that were poor divisions. That was our good fortune. There were a lot of young people that had been recruited. Terribly young people, it was criminal. There were guys as young as 16 or 17 thrown into these divisions. They were not unhappy to become prisoners, especially prisoners of the Americans. I mean that was a fair place to go. We interrogated; we tried to match this information with what we possibly had already. We made reports, then immediately we had to advise the divisional headquarters, our regimental headquarters G 2. I used to go with them directly. That was also a very tricky business because we had to try to figure out where there was greater resistance and who they were and what they were. That was quite unnerving because we would be talking with a captain of a battalion or even a company, then they would go a few hundred yards down the pike, the hedgerow, all very narrow paths. The next thing we knew we heard the guy had been shot and killed. It was pretty difficult because obviously you can't tell a person you won't get killed. Moving intelligence is not an easy task when the enemy is shifting things around all the time. I feel that it was a useful function. There were many reasons why we succeeded with the invasion, but I think the enormous resources we brought to bear, the good preparation, the enormous resources of manpower and logistic backup that was incredible. The work of the backup, the intelligence, all of these functions, we were a big country and we had the resources. In some ways we were almost luxurious in our ability to do things; I think that helped a

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great deal. The other side of the coin, we had a tremendous amount of flexibility. Generally speaking, in American society we like to delegate; we don't try to keep control. A good corporation president probably tries to delegate things, and I think that Eisenhower was quite right to give the different corps commanders and division commanders a considerable amount of flexibility. Once the objective was laid down, then to meet that objective, you could even depart from some of the guidelines and do things slightly differently if that was in the interest.

Q: I want to go back to you.

BARDACH: The Germans didn't have that. That was my point. The Germans had to take everything back, and then you remember the famous story; they called Hitler.

Q: They wouldn't even wake him up for awhile. Then he withheld the 21st army or something up around the Pas de Calais. Henry, I want to move rather quickly through the rest of the war. I did want to catch this particular thing. Could you cover rather briefly the rest of the military experience except if you got involved in the Market garden and all of that.

BARDACH: We went back after 33 days, back to England, rest, more training. September, the invasion of Holland, again airborne with gliders. That was Market garden. Then landed there in Holland and were pulled back from there into a reserve position in Soissons in France where we were supposed to stay presumably over Christmas getting ready for the final push into Germany to back up that push and then take on an occupation role. That, of course, didn't happen because of the Battle of the Bulge. So, we were pushed back because of the Battle of the Bulge to help plug the hole.

Q: Where did you go?

BARDACH: We did not go to Bastogne; that was the 101st Airborne, McAuliffe. We went to the other side which I guess was the northern side; we were engaged there. Fortunately

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we didn't have a situation like was encountered in Bastogne where the people were actually surrounded, but it was very messy because again there was a great deal of confusion, and it was difficult to figure out exactly where the Germans were.

Q: I would think that your group would be extremely important in this because I mean the flower of what was left of the German army was being thrown at us and to figure out who was doing what.

BARDACH: I think we were quite successful in that. This is why the Germans weren't successful with the Bulge because we unbulged the bulge. We punched holes in it, and the air came out, and that was it. Then they didn't really try it again. We moved over towards the Rhine; we were in Cologne for a spell, and then gradually moved up into Westphalia and then moved across Westphalia into what later became East Germany, Mecklenburg where we met the Russians. Two days after we met the Russians, VE Day was declared, that was in May of 1945.

Q: What was your impression of, I mean here you were back in Germany; it isn't as though you left as a small child. What were your feelings and impressions as a young former German going back there, the German army, the German people, all that?

BARDACH: Well, it is a very difficult thing to answer that precisely because it is kind of a mixed feeling. The one basic thing was the feeling that they brought it on themselves so that I didn't have any particular sympathy. Of course, by that time we knew of what Hitler had done, the extermination of people, all of this. We knew about this so I think there was a distinct feeling, not just by people like myself who came from Germany but by the rest of the GI's too. They knew they had it coming to them. I think it was a feeling of exhilaration in some ways, exhilaration that all of this was now coming to an end with some certain amount of sadness because you felt why did this have to happen in the first place. You see your own friends and colleagues getting killed, shot out of the air, and then when we opened concentration camps in the town of Ludwigsburg. There was a small concentration

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camp, but small or large it didn't matter, they all looked the same. When we opened up the concentration camp, that was obviously a very sobering thing.

Q: Were you with that group that did that?

BARDACH: Yes. We went straight in there, and they needed me again. They needed German speakers. The living inmates were just emaciated. Obviously that was a very traumatic experience, not just for me but for all of the young GI's. And then the next day I remember up from our division, General Gavin had taken over as division commander, and he ordered as we did in many places, he ordered the citizens of that town, Ludwigsburg, to be marched through this concentration camp so they could see what had been going on. I remember that very well. I think, as I say, it was a very mixed feeling about it that I had. A mixture of satisfaction that we had come to rectify the situation. We obviously had won the war, but at the same time there was a feeling of sadness, why these people with whom I had grown up why this had taken such a drastic turn,

Q: Had you ever encountered any problems with being a German born when you were in the Army?

BARDACH: Not really, no. Of course I became a citizen too.

Q: I was just wondering whether there was a feeling about Germans did this and you were German so...

BARDACH: Not really, no. I think we had an understanding and camaraderie. There are so many people. This is the nature of our country; we are a country of immigrants, so there were quite a few immigrants in the military, and we were all part of it. No, never had that feeling at all. There is a famous incident that I should mention here which is when I was about 20 days into Normandy. We had a group of prisoners, three or four of them. It was usually two of us that would interrogate them. The prisoners had a way of showing what

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they had on them, you know, documents that they had on them, how well educated they were or whatever. Here was this one young kid, a little younger than I was. I think he was maybe about 18 years old. I saw his ID and I asked him I see you are from Dusseldorf. He said yes. We chatted a little bit, and I think he could tell from my questions that I knew quite a bit about Dusseldorf. He said, here, I have my school certificate with me with my last grades, my graduation certificate with the courses I took with my last grades. He handed it to me and what did it say, Prince Georg Gymnasium, the same school where I had been. The teachers, the names were all spelled out. Many of those teachers I still remembered very well, and I started talking about them. This is Professor Muller. Is he still the grouchy old fellow. And this fellow here you know, he was a tough grader, he graded tough. This fellow, he began to shiver and shake, he said what's going on here? He would have given his family away to me. He answered all the questions that I wanted to know. I eventually told him that I knew this place quite well. I didn't tell him that I had been there.

Q: He just thought our intelligence was so good.

BARDACH: Isn't that a good story.

Q: Were you in contact with the Soviet Army when you were there?

BARDACH: Little. Yes I was. I remember we were told that if we saw any of them we could speak to them and try to be nice to them and friendly. The problem was that the Soviet military were highly suspicious, and I think they had been told, of course it was a completely different atmosphere for them, they had been told not to go overboard in being too terribly friendly. I remember that I met this one fellow that I talked to. He was from Moscow, and I think he had been a teacher. I did talk with him, and I recall that the only way I could communicate with him was in German; many Russians do speak some German, so I was able to communicate with him. I think we even exchanged addresses or so, maybe after the war I can look you up or something like that, and he gave me his name

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and address. Nothing ever came of this of course. They were very cautious in fraternizing with us.

Q: Of course the Soviet Army had been decimated almost literally in the officer corps by Stalin in the late '30s. One of the great accusations was associating with foreign spies, so I guess the high command wasn't going to leave itself open to anything. Well, the war is over now.

BARDACH: The war is over, and there came a kind of important milestone for me because it was a question of whether or not I would remain with the organization I was in, with the division, or whether I would go back home to go back to school. I was very much tempted to remain. In fact, I became a second lieutenant, I was given a commission. I could have gone then into Berlin because the 82nd Airborne was the chosen division to go into Berlin, to be the first unit for the occupation at that time. It would have been very interesting, and there were some of my intelligence colleagues, some of the older ones who chose to do that, and remained there after the army of occupation or joined the State Department or whatever the case may be. But, I did go home. The critical factor here was that I had enough so called discharge points to go back and to leave the service. In fact, I was told there were transports going back. We had come over by ship, but we went home by plane. I did go home and I was discharged at the end of August or early September, 1945, having been in the military a little over three years. There was no more question in my mind at that point that I was going to study international relations. The war had impacted fairly substantially the accumulation of earlier experiences. Also, I liked Washington. I had gotten to know Washington from Camp Ritchie, from Fort Belvoir. I couldn't stand New York. I was, you might say, slightly shell shocked from the war. New York was too big, and I couldn't stand the idea of having to go back to school on the subway or whatever the case may be. So, to make a long story short, I was accepted at George Washington University, and that is where I finished my undergraduate work.

Q: Your undergraduate work was in what?

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BARDACH: It was in the school of government where they had the program of international relations. It was kind of parallel to what Georgetown has in the school of foreign service except that at GW it was then and probably still is now in the school of government. Of course, you could plan your program so that you would have both majors and minors in the context of the international relations program where you had diplomatic history, international law and all of those things and American history. Then, my other major there was economics.

Q: This is tape two side one with Henry Bardach.

BARDACH: It was a great time with the after the war atmosphere in Washington. I had watched Washington, a small, government town become a busy town. I always felt the book Washington Goes to War by David Brinkley gives a wonderful description of this metamorphosis, and I always feel that I kind of lived through this metamorphosis, and that it was kind of exciting and I was pleased to be part of it. Fellow students were mostly military people, GI Bill of Rights. It was a good time. I enjoyed economics; I got very good grades in economics, which prompted my advisors and my mentors to urge me to go on with a graduate degree in economics. They felt that no matter what I was moving into, the government or business or whatever, it would be a good thing. So, in '48 when I finished, I did the rest of my collegiate work there. I took accelerated courses including summer courses, and I was able to finish my Bachelors in International Relations in practically two years. I graduated in '48, and then moved on to the University of Pennsylvania in Philadelphia where I had gotten an instructorship in economics. I got the instructorship thanks to my good professors who had given me good recommendations. I taught economics in the Wharton School where the economics program was tied in with the Wharton School and still is now. I studied international economics simultaneously. It was about half and half with the graduate courses I took and I taught economics. Of course, the reigning professors at that time were always eager to keep instructors as long as possible, get them to do a Ph.D. and become a nice, low paid member of the teaching faculty. I'm

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sure you are familiar with this. Meanwhile, I had gotten married and had to think about supporting myself and eventually a family, and my wife, of course, and I decided I would make a break, and finish after getting my master's degree from Penn, which I did in 1951. Already having my sights set on the State Department, I had a little waiting time which I worked, my late wife was a Texan, so I was down there for awhile and worked for an oil company briefly. Then I received some signals that there might be some openings in the State Department, Civil Service openings at that time because the State Department was expanding its economic functions. One of my professors at George Washington University was Ted Acheson, the younger brother of Dean Acheson, a very brilliant economist especially in the area of international economics, a graduate of the London School of Economics. In fact, I had been his student assistant for awhile. He was a very good man. He was somewhat under the shadow of his more famous brother. But Ted Acheson and some other people, Arthur Burns, not the Harvard Arthur Burns, had heard that the State Department was expanding its economic functions that were very minor in those very early years after the Second World War, and thought I should apply. Of course, I did so, and I waited for awhile, and then bingo, the call came and said come on down; we want to talk with you etc.

Q: This is a good place to end this session. I always put something at the end. So, we are going to start in 1951.

BARDACH: Yes, February, 1951 is when I went to work in the State Department.

Q: Today is the twenty second of May, 1996. Henry, let's talk about 1951. You came to work for the State Department. What were you up to?

BARDACH: Correct. There is some interesting background on how I got into the State Department. I had wanted to come into the State Department. This had been one of my goals, but at the time when this interest came to full flower, which was at the end

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of my graduate studies in international economics at the University of Pennsylvania in Philadelphia, it was not possible for me to take the Foreign Service exam, because at that time, there was still the ruling that you had to have been a US citizen for at least 10 years. I became a citizen during the war, so that was a bit of a hang up, but that didn't really keep me from coming into the State Department. I had some good support from the professors I had at George Washington University. I was also an instructor in economics at the Wharton School. My friend Ted Acheson knew that there were some openings, particularly in the Far Eastern Bureau where there was virtually no economic staffing at that time, and he signaled that to me. He was obviously an excellent reference to have, since in 1951 his brother was still the Secretary of State in 1951. It certainly didn't hurt. I hasten to say that I did come into the system competitively in the sense that I had to first be on the Civil Service register etc. When it came to the final throw, obviously Dean Acheson told the people at State Department personnel and Far Eastern Affairs that I would be a good candidate for there were about one or two openings at that time. This is how I then came in. I was classified Foreign Affairs officer and International Economist.

Q: You were in the Bureau of Far Eastern Affairs from '51 until...

BARDACH: '51 until '57 actually. It was a very exciting and very turbulent period, and it was a wonderful way to get started in the State Department. I was in a sense rather spoiled, because I never had the nitty gritty kind of consular, visa, passport kind of thing. I was immediately bounced into a substantive office, into the very workings of international relations with Asia. At that time, there were great advantages compared to today. Today, everything is much larger. The Bureau was still then relatively small in that everybody knew each other. This was very pleasant. I had, of course, nothing to do with Mr. Acheson. I certainly got to know Dean Rusk, who was the Assistant Secretary, and Alex Johnson who was the Deputy Assistant Secretary. At that time, there was only one Deputy. Then of course, there was a whole slew of officers and office directors, and I was assigned to what was then still a relatively new office, the Division of Economic Affairs in the Office

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of Philippine and Southeast Asian Affairs. At that time, that office combined everything in Southeast Asia plus the Philippines.

Q: Could you define, because the definition keeps changing, the jobs keep changing, what was Southeast Asia in the '50s?

BARDACH: Southeast Asia in those years started with the Philippines, then worked its way around through Indonesia, through Malaysia, Thailand, what was then known as the Associated States of Indo China. Nobody called it Vietnam then; it was Indo China. Thailand and Burma, It stopped after Burma because then it went into South Asian Affairs.

Q: What then, and I take it Australia was still part of the European Affairs, New Zealand too. What were your major concerns? Maybe there is a difference in '51 the Korean War was still going; '57 it was over, but I was just wondering...

BARDACH: The office that I was assigned to, the major concerns were really all the various economic issues that were emerging or impinging on our relations with that part of the world. One of the key issues was, of course, what we would do to help with the economic development of the countries in that area. Related to that were the trade issues, issues of quotas, commodity agreements, sugar, rubber, aviation problems that were emerging. In those years, these countries, with the exception of Thailand which has always been a neutral, independent country, those countries were all newly independent countries. At that time, of course, the desks were the so called political desks and did not concern themselves with many of the economic problems. Many of the Foreign Service people, the attitudes toward economics, I won't even say anything about commercial, that was deep down under the carpet, the attitude toward economic matters was really very archaic and very arcane. Everybody knew that would soon be very much shaken up.

Q: Let's sort of move around. Why don't we talk about the Philippines. The Philippines were still having an insurgency.

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BARDACH: That's right. There was a lot of instability.

Q: The Philippines, of course, having been our colony, we felt both a paternalistic and also you know, it was our baby, and we'd better take care of it. Did this translate itself into economic things too?

BARDACH: Yes, I would say it certainly did. Remember the Philippines themselves always considered they had a special relationship with the United States. We shared this feeling, but superimposed on that was still from time to time kind of an ex colonial feeling that we could tell them what to do and how to go. That too, came under considerable pressure from the Filipinos when they wanted to do their own things and make their own decisions. There were some very interesting negotiations during that period. An example of this parental children relationship was the way we handled the payments to Filipino veterans who had been in the war. All of those payments had to be regularized. It was fairly smooth sailing as long as we were willing to go that extra step for them. In other words, if something involved another \$100 or \$200 million, Uncle Sam would cough up with it. Let's say there was a benevolent responsible attitude. Some of that was also chaperoned by people who had been already involved with the Filipinos prior to the war. The governor of the Philippines right up to the war had been a fellow by the name of Paul McNutt. Well, his shadow was still there. In fact, his daughter, Louise McNutt, was in the bureau for many years as an international UN advisor or some such thing.

Q: So these things I assumed the Filipinos would call in the kind of ex colonial rulers guilt thing, kind of you owe us.

BARDACH: Well, I never found this a very outspoken reference that we owed them things, but I felt that having been their rulers and been in command of their development, that they felt we had certain obligations. The other side of it, of course, was that there was always a very sizable American business community in the Philippines. As in other countries in Southeast Asia and still is today, there was an effort to promote American

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economic interests, to encourage people to invest. There was less need for that in the Philippines, albeit we always encouraged American commercial and economic interests, but it was already there. There was a sizable American business community in place in the Philippines.

Q: What about Indonesia? This is high Sukarno time who was getting cozy with the left, the Soviets and others. From the economic point of view, what were our interests?

BARDACH: Do you mind if I go back? I wanted to say there is one very major event which I think was the pivotal event during my years in FENPSA, the so called Laurel Langley trade negotiations. I was directly involved in these; there was a whole team of us, it was an inter agency team, and that kind of regularized our trade with the Philippines. Under that particular agreement, we continued quite a few of the preferences that we had given them in the past. That was a manifestation of the special relationship. That was quite controversial.

Q: When did the Laurel Langley come into effect?

BARDACH: It has long since expired. It was somewhere about '55.

Q: Did the State Department get involved in Congressional interests in this thing?

BARDACH: Definitely. I mean you know there were hearings, and I think the Assistant Secretaries had to testify on some aspect of it. Of course, there was the usual volume of Congressional inquiries and letters that had to be written in response to specific questions. There were special interests in there, sugar for example.

Q: I was going to ask about sugar because I would think you would be up head to head with Louisiana and some other places.

BARDACH: Exactly. There were many interests that felt we should not be giving them such special preferences anymore. All this was very complex because it evolved into the

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international sugar agreement which in those years was being negotiated. As I say, I think the single important event certainly in the economic relations with the Philippines in that era was the laurel Langley agreement.

Q: Well did you find the State Department was basically looking to support this agreement as an international thing whereas those that were opposed to it really came from the domestic side. We were giving away the store.

BARDACH: Sure. Definitely. You always had to deal with the people in Commerce who in those years had considerable strength in this field of trade negotiations. We didn't in those years have the STR, the Special Trade Representative, that came much later, but you had Commerce and you had Treasury, and Agriculture also in a very important role. There were countless inter agency meetings and negotiations with the Filipinos. But I think for that period, it was a good thing to have negotiated an agreement with them because we had to regularize certain things that were left over from the pre war period and the war period.

Q: And also we wanted stability. Let's get back to Indonesia.

BARDACH: Indonesia has been a special interest in my whole foreign service life and career. I worked over the years quite frequently on Indonesia even beyond the '50s. Indonesia was particularly interesting at the time because it was in fact one of the target countries for development. I had written my masters thesis on capital flows and what capital flows into developing countries. This was an emerging subject then. We had a rather simplified notion that one way to create stability and progress in the newly independent third world countries was to bring in capital, to bring in technical assistance to help them with their development, and everything else would just happen automatically. As we have learned over the years, unfortunately, this isn't always the case. Very frequently there is not always a direct cause and effect relationship between economic development

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and political stability. Nevertheless, we did get started, and this is I think one of my very satisfying experiences early on.

Q: How old were you at this time?

BARDACH: Well, I was born in '21, and I came to work in the State Department in '51, so I was 30. That generation had the advantage of having had much experience through the war years, and some things that happened after the war. There was a motivation and a drive and a maturity that is difficult to replicate nowadays because it's a different sets of circumstances. We had a tremendous task, monitoring and working with the people who were establishing the AID programs. There were two kinds of programs that had been initiated in the early '50s by the U.S. Government. This was immediately following the Marshall Plan. The first thing was the Marshall Plan in '48 and all those things that flowed from it with an agency backing it up. But, then the idea came, why don't we use the same mechanism to try to start funneling aid into the developing countries of the world. Of course, one of the principal targets right away from the beginning was Asia and Southeast Asia because here were enormous and newly independent countries. Here was a tremendous political and strategic interest of the United States. You not only had Southeast Asia, but Northeast Asia. There was Korea and all the things we were required to do there to help the Koreans get on their feet, so a mechanism was established. Originally it was the mutual security program because it flowed out of the European Marshall Plan support thing and it was supposedly mutual security because we help these countries, and they help us and maintain freedom and democracy and blah, blah, and all those things.

Q: Also, it helped sell it to Congress too and the American people.

BARDACH: Yes, a very good point. Absolutely. It needed a tag that was saleable. Now, in parallel to this came another movement, you might say which was the technical assistance program. That was started by Harry Truman, the Point Four program. I was the appointed

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Point Four Officer for the bureau, because it was all something new. It was my task to help liaise and coordinate these programs to Southeast Asia. I was the Point Four Officer. This was a very interesting time because we had two sets of programs in parallel which were bound sooner or later to run into conflicts because we had Point Four people, TCA. It was technical assistance. I think a fellow by the name of Harry Andrews was the first head of it. They were trying to develop their programs in our countries. I'm talking about Southeast Asia, in parallel with the much stronger mutual assistance people downtown who were, let's say, the hard hitting big program types used from the Marshall Plan days. You know they wanted to build dams and roads; the bigger, the more, the better. Of course, in all of these things, you have to remember, and that is for better or for worse, it is part of government and there was a bureaucratic self preservation and self promotion element in all of this. To make a long story short, in the early '50s, I think around '52 or '53 we had in our missions not only one set of program people, the Mutual Security people, but we also had TCA people. That, of course, tended to lead to considerable confusion, and the Point Four program as an independent entity did not last too terribly long. I think it was in existence two or three years. I think it was changed when the Eisenhower administration came in. The administration and Congress also decided to put the whole thing into one program which I believe became the FAO, the Foreign Assistance Organization. It was all put together into one big agency, and they were the ones responsible to negotiate and work with us. They had their own missions overseas. Anyhow, Indonesia was certainly one of our early targets. We had a Point Four program there and eventually we had a larger development program. Economic assistance very much became part of our foreign policy and foreign relations in Indonesia.

Q: What were we thinking about? I mean we are talking about the pretty early years of independent Indonesia. When you were there, what were you getting from the political side of the bureau about Sukarno and Indonesia? Where is it going? I mean this is a time of concern. When you started, we were still fighting the Korean War and were very worried about Communist movement everywhere, so how did we feel about Indonesia?

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BARDACH: Yeah. In those years, we were still relatively relaxed about Indonesia, because the Communist Party in Indonesia was still relatively small and not too vocal. Sukarno was very much in the saddle and in those early years was very much liked. I think that our primary concern in those years was to promote what I might call a constructive neutrality. They were neutral, but a neutrality like some of the European countries with a strong leaning toward the West. Our economic programs were, of course, supposedly designed to foster this kind of attitude, but early on it began to become a little shaky in terms of how much involvement they wanted from us. The Sukarno era at that time was a very positive era. I think Sukarno was a great statesman in terms of pulling together all of the divergent elements in Indonesia which is after all a country of over 3,000 islands, far flung with different ethnic groups. He was a magnetic personality; I met him a couple of times. His first visit to this country, I remember vividly, was in 1956. It was a major event. He came to Washington; I believe he addressed Congress and gave a speech at the press club. He was all over the place. He was really a very astute politician. His health was great; he was vigorous; he spoke English exceedingly well. When he talked, he was practically like a Congressman or Senator politicking for his state. He seemed to feel very much at home here in the political climate of Washington. He was quite mesmerizing. This, of course, changed in the late '50s and early '60s, but in those years when I first came into the State Department working on Indonesia, there was never any question that Sukarno was the man, and our best way of dealing with the country was to support him. There was never any question about that.

Q: How did we feel about the AID? Did we feel that things were getting in there. I mean there is always a problem in some countries about corruption. Was this a concern or not?

BARDACH: Not at that time as much as it became later on. I don't think it was as fully developed, this whole question of payoff and corruption which is a big issue in Indonesia. We can come to that in a later chapter, you know, later on in the '70s or so, but at that time, that was not a factor. What was a factor was that we had certain AID requirements.

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We had legislative requirements in order to continue our assistance programs. One was a requirement, under the Mutual Security Act at that time, I believe it was section 511 or some such thing. We needed to get the country to certify that the assistance would be used, or that they would be in support of the development of a country that was in favor of the free world. The words "free world" was in there. In other words they agreed, it didn't specifically say we will work against Communists or anything of that nature, but it was a statement supporting defense of the free world. That supporting of the defense of the free world was a real troublemaker. The Foreign Minister Subardjo, I think it was, undertook to sign this particular undertaking. This created quite a to-do in Jakarta; in fact, when it became known that this particular undertaking had been made as a requirement for the AID, the cabinet fell. This was '52 or '53; it actually led to a collapse of the cabinet. Of course a new cabinet was reformed. It was a tough thing and eventually we had to modify this quite substantially in order to continue our AID programs there and elsewhere.

Q: Well now going on this I'm taking it that we looked upon what we were doing in Indonesia at that time, it was on the right course, it was a success, it was something you took some satisfaction from.

BARDACH: No question about that. Obviously, I got to know all of our Ambassadors very well during that period starting with Merle Cochran and going on to Hugh Cumming and beyond that and eventually, of course, Marshall Green and all these people. I think everybody felt that we were doing probably about as well as we could given the fact that this was after all a country that had just very recently come away from the Dutch. I think, on the whole, it was very definitely a good effort. One of the problems we had, as so frequently happens, was not out there but back here: the bureaucratic entanglements in operating and starting new programs and operating separate AID Missions and things of that nature. This tended to become quite an irritant because many of the early appointed AID Chiefs considered themselves kind of independent and so they were very go getting. We've got to do this and we've got to do that. Also they had, this is probably where it

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comes from, they had a little bit of the ugly American syndrome of, you know, telling government ministers you've got to do this and that.

Q: The power went to their heads.

BARDACH: This is it exactly. In fact, we had one case where it contributed to the demise of a program which was in Burma. I was involved in this. In '54 or '55 this was one of my interesting experiences. We had to negotiate our withdrawal. The program was terminated; the Burmese came to us and said we don't want it anymore.

Q: What was the root problem?

BARDACH: The root problem wasn't only the fact that the personality of the mission had been an irritant, but I think it was kind of the straw that broke the camel's back. I think there was a feeling that the Burmese wanted to do it on their own. There was this very strong feeling that their neutrality would be hurt, would be affected if they continued this AID relationship. Of course the whole Burmese history, which I'm not as familiar with as some of the other countries, but the Burmese history has been a very sad one as you know. They became more and more inward looking over the years. This started already in the '50s. There was still a glimmer of hope in those early U Nu years. U Nu was a very good man and he had some very good technical people in his cabinet, technocrats. In '53 they gave us notification to have the program leave. Then the following year they kind of wanted to make up to us a little bit. That is the Asian way of doing it I guess. They said there is a World Bank IMF meeting coming up, and we want to send a high level delegation to that meeting. At the same time we also want to make contact with American industry to see if we can't attract some of this industry to come to Burma to give us a hand. There were about five or six high Burmese officials, the Finance Minister, the head of their Central Bank, the head of their purchasing ministry etc. I was asked to meet this group, to prepare for it, plan a program, prepare a whole trip, and fly out to San Francisco to meet this group. I spent about two weeks with these Burmese, and I found them very delightful

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people, I mean they were wonderful. The finance Minister, I'm sure he's deceased by now, was a very stoic professorial type, a very strict Buddhist who would take his shoes off on the plane and read his whatever. It was not the Koran, the Buddhist thing. All the rest of them were very live wires and very well educated. The Central Bank chief was a superb economist, trained in England, of course, I believe at Cambridge with a doctors degree. All superb people, they knew what they were doing. We arranged the usual kind of program for them which included the usual kind of sightseeing, including a barbecue in the Colorado national park where they all froze to death because it got so cold at night, and visits to Caterpillar in Peoria and to various other industrial sights in Chicago and elsewhere. We would up in New York and subsequently to Washington. When dealing with people like that, you wondered what was it really they thought about later on. It is not an easy thing to analyze. At that time I certainly felt that even without official outside economic assistance, they were getting some assistance from the UN, that there was some hope for some reasonable democratic development in the country but that did not turn out to be the case.

Q: It keeps popping out. Right now we are talking about a time when there is unrest and there is obviously the nucleus for it, but it is being repressed by a military dictatorship. It has been for years.

BARDACH: Going back to Indonesia, the Indonesian situation at least at the time when I left the bureau which was in '57, was still, I would say, a reasonably stable one, although there were beginning to be the first signs of problems in Sukarno's leadership and his attitude toward the United States was gradually emerging at that time. I believe it was in '55 you had the big Bandung conference which Sukarno organized, all the non aligned countries.

Q: Tito, Nehru...

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BARDACH: The works. Sukarno was very anxious to assert a very independent stance. Then, of course, later on I guess that was toward the end of the '50s early '60s, he had this very bad time; he actually went to war with Malaysia, the confrontation with Malaysia, and he became increasingly disenchanted with our AID operations. That's when the problems began to emerge. I think the feeling in Washington was that Sukarno was the best thing we had at that point to hold the thing together and to keep the Communists from taking over, but the image changed. The Sukarno image from my first years from '51 to '57 was a good one.

Q: One of the things you mentioned, sort of moving to a slightly different subject, you mentioned the problems with out AID missions whatever the title was, that they became almost little dukedoms abroad. I can remember one of the things, I never ran across it because I was never in countries that had it, but there was a lot of unhappiness within the line Foreign Service because AID people had their own budget, they paid better salaries, they had better housing, and also they were handing our goodies, contracts and all to the local government where they were, and often these governments would bypass the Ambassador and go to the AID Director because that's where the money was. This led to all sorts of bureaucratic problems and a certain amount of division, arrogance, the whole thing.

BARDACH: There is no question about that. There was a considerable amount of rivalry between the AID people and the State people, and this continued to be a problem over the years, although I think in later years, the directives from the top, i.e., the President or so made it very clear that the AID operations had to be part of the whole country team effort, that the Ambassador was the man in charge. But, even in my time later on just to jump ahead here in the big arch of how we developed our operations, when I was back in Indonesia in '76 from '76 to '80 as both economic and commercial counselor. It was a very senior position then; it was ranked as a minister counselor job. We also had a large AID mission. Of course, one of my first important jobs was to cultivate the AID director

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and to work closely with him, but also vice versa to get him to try to work closely with me. In fact, that is the first thing the Ambassador asked me, well, I can mention names. Ambassador David Newsom was my first Ambassador. I remember one of the first things he mentioned to me he said well, you need to work closely with Tom Niblock whom I happened to know, and actually was a good friend of mine. The AID Directors always had their big plans and this and that, so that was a very important task for me to keep a constructive liaison there, and also to keep them from time to time from going off the deep end.

Q: Well now let's go back to the rest. We talked about the Philippines, Indonesia, and Burma. It was Malaysia during this period, In fact, I don't even think they were independent at this point or not?

BARDACH: Well, not yet. It was not Malaysia; it was Malaya, and Singapore was still part of it.

Q: And part of Borneo too as it is now. Of course that was under the United Kingdom, so did your office have much to do with that or not?

BARDACH: Oh yeah. We had some, but I was less directly involved in that than some of the other staff members. We had a separate economic section which covered the entire area, and, of course, we worked with the different desks. The desks might only have one person like the Burma desk. Then if there was some major economic development, I would be brought into it, and I would work very closely with the desk officer. There were other people who worked more closely with Malaysia or Malaya. I think now the issues were very much centered into rubber and tin, which was a very important part. Yes, we tried to start some program there too, but because of the British, of course, the British then gradually withdrew. They became independent just like India had and Burma.

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Q: What about whatever you want to call Indo China in those days. You were there during a dividing line which was what, '55 when the French pulled out and all that. What were we doing before and after the fall of Dien Bien Phu and the withdrawal of the French?

BARDACH: Well, there were many complex issues, and I think it was all part of the Vietnam history too. First of all, we were trying to channel some assistance into the associated states that were Indo China which we called it at that time. The difficulty was working out a modus operandi with the French and in working out a modus operandi with our colleagues in the European bureau. Our colleagues in the European bureau still had a very strong parochial interest in maintaining control in this area in that they were responsible for France etc. It was bureaucratically complex, and it was complex in that part of the world to develop programs that were meaningful and effective. Many people felt that, somehow or other, a federation of those states could survive even after the French had been kicked out, and that perhaps certain things should be done to bring these certain states together and make them economically more viable. There were all kinds of ideas floating around in those years. I had part in some of those; it was interesting. Some of them may have been pie in the sky. For example, there was an idea that perhaps we should generate a central bank for all three states.

Q: The three state at that time were what?

BARDACH: Laos, Cambodia, and Vietnam. I remember very vividly the work that was done. I was involved in it directly in preparing some papers and memos and position papers on a proposal to set up a central bank for the three associated states.

Q: Well, there was a French bank that was quite important, the Banque d'Indo Chine. What was that? That was all over the place.

BARDACH: It was a commercial bank that was very influential in that part of the world. You are quite right. It was a major bank in China too.

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Q: They had a branch I know when I was in Dhahran, Saudi Arabia.

BARDACH: That is quite true. I think the idea was that as true foreign policy people, we were always shooting for loftier things. This was one of these ideas, but I have to tell you, it never got very far because, I don't remember the exact sequence. When was Dien Bien Phu?

Q: I think it was '54. I was an Air Force Sergeant at the time and we were talking about going in, and I was getting ready and I thought here is this bloody place called Indo China. You mean I'm not going to get discharged. I got caught up in the Korean War, and I wanted to get the hell out. They were talking about keeping us all in maybe because of Indo China. So, '54 sticks in my mind.

BARDACH: I think you are quite right. From there on the French left, and it was just completely going downhill. Then there was the Geneva Conference.

Q: Which was in '55 I believe.

BARDACH: I think it may have been in '54. At that time of course, the whole idea of the iron curtain and the neurosis about Communism, protecting Southeast Asia from the Communists, had already emerged very forcefully. I remember that was the time that Mr. Dulles, the Secretary of State, was in Geneva, but he would not talk to or shake hands with Ho Chi Minh or Chou En Lai. In historical retrospect, one can argue whether that was a wise thing to do. It might have been better if we had worked with Ho Chi Minh in those years. It was a very confusing and deteriorating situation, and there was really not too much in the economic area that we could do even with some little AID programs and technical assistance that really had any kind of impact. There was even an idea, what an idea. There was an idea that we should develop, that was under Eisenhower, I believe it was Undersecretary Herbert Hoover Jr. who was sort of placed in charge of finding ways of how to deal with the unstable situations in Southeast Asia. The idea was to develop a

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massive Marshall Plan kind of thing. You know it worked in Europe. Many people thought why can't it work in Asia. You and I know that Italy was a completely different situation.

Q: Real apples and oranges. One was shoring a crippled economy; the other would be to create an economy.

BARDACH: For awhile we were busy writing papers on how such a program would be developed and what kinds of projects would go into it. There was always a great attraction to the Mekong River development.

Q: I was going to say that. This is American TVA.

BARDACH: Let's make the Mekong a new Asian TVA.

Q: TVA is the Tennessee Valley Authority, a series of dams and electrification and all that we did in the '30s.

BARDACH: And why not develop some of these things. I must say again you can criticize what the U.S. Government and the State Department did in those years with regard to Vietnam, but you must also realize that people were really groping to find ways that would get away from war and fighting and instability and to try to do it through economic means. This is fine. It is just like a doctor who is fighting cancer; he is looking for peaceful, helpful ways of dealing with it. We were engaged in this quite heavily, but obviously not successfully.

Q: So that pretty well covers that area and that time doesn't it?

BARDACH: I would say so. I think as I look back over my early years, I would say that these were the things, the emerging development programs, the economic programs, the emerging trade relationships which were, on the whole, good. They were positive. The recognition that one way the US could help its own balance of payments was to develop these countries so that they would buy from us. And, of course, the acceptance

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in those years, and I think that was a source of satisfaction to me sometimes frustration too, that there was a gradual acceptance of the fact that economics and the economic function was inextricably intertwined with the political developments. It was very difficult to separate this from our work in international relations. An acceptance that economics were very important, and during that period, gradually there was an expansion of staffing. The desks, for example, became expanded; they usually had an economic officer assigned to them. That all happened toward the end of my tour in that bureau. Then, of course, things became more busy all along. Eventually what had been PSA, Philippine and Southeast Asian Affairs, when I first came to work there, was split. It became Southeast Asian Affairs and Philippine Affairs. Philippine had its own thing. I didn't even say anything about Japan and Korea; that was not in my immediate purview, but also they had very sizable economic divisions that were dealing with the economic issues. That was certainly one development; there was kind of a complete turnaround in the attitude towards where economics fit into the total scheme of things. In 1957, just to backtrack for a few moments, the question of my joining the Foreign Service had already risen.

Q: We are talking about the Wriston program.

BARDACH: Yes, in 1955 or thereabouts when I had become eligible with the number of years I had been a US citizen. By the way, I don't believe this restriction even exists anymore, but in those years this was still relevant. I had awfully good on the job training right from the beginning because right from the very first go I saw cables coming in from all over Asia on current problems. I was sort of immersed, baptism by fire, which I think is a wonderful way of learning international relations, and it just exactly fitted in with my academic interests, developing countries etc. Also, I enjoyed my contact with the people in the bureau, especially the people in the Foreign Service. Now, mind you, in those years, I don't know the exact figure, but at least one half of the officers in the bureau were not Foreign Service. The Foreign Service were somewhat in a minority. But, of course, this began to change especially with the Wriston Program sweeping in a lot of the people as they wanted to, to come into the Foreign Service. Of course, I had made my decision

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long ago that is what I wanted to do, the path I wanted to follow. Also, I had wonderful encouragement from really marvelous people that I admired very much over the years in the bureau and in my offices, particularly the Office Director for Philippine and Southeast Asian Affairs who was there for several years after I came in, Philip Bonsal. Later on Ambassador Bonsal, who was one of our most able statesmen was in Cuba. He went to Cuba about the time Castro took over. To make a long story short, there was a procedure that was somewhat time consuming. There was an examination which was somewhat simpler. By dint of the fact that I was already in the system, we had to write a lengthy essay outlining why we wanted to join the Foreign Service and what experiences we could bring to it, and, of course, we had an oral examination as well.

Q: Do you remember the questions on the oral exam?

BARDACH: Yes, I certainly do.

Q: Could you, I'd like to get a flavor of those times.

BARDACH: I do remember some of the questions. They were focused very much on some of the work that I had been doing in the bureau which was kind of self evident. You know, how do you work out a satisfactory program for the Filipino veterans. Then there were some broader historical questions about our earlier diplomatic relations with the Asian world, some items relating to my wartime experiences. But then there was one particular question which I remember very well because I think they were trying to catch me to see how much I really knew about the area. One of the chaps turned to me and said, "Mr. Bardach, can you tell me, what would you do to help the Diaks?" Okay, the Diaks. First of all who were the Diaks? I had been working on Indonesia, of course, and the Diaks are the aborigine, the tribal people in the middle of Borneo.

Q: That's right. You get there by canoe. Give them bigger canoes.

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BARDACH: I remember they dwelled on that to see what you would do to help them. First of all, you have to devise what kind of help do you want to give them. So, that's a question I remember very vividly. Then I was offered an appointment. As soon as I had that appointment, I had it in '56 actually. Then in the next assignment cycle in the following year, 1957, I was assigned to Europe and to Switzerland. Now, you ask, the obvious question is why, because the State Department always does things a little bit upside down. There was a very good reason for it; they were looking for a German speaking economic officer. So they came around and said it looks like Switzerland or Vienna has a position. They wanted people who had some knowledge of economic affairs, especially East West trade which was then an emerging business of the Foreign Service and the U.S. Government. So I was assigned to Bern, Switzerland, and that was my first assignment.

Q: You were there from when to when?

BARDACH: I was there four years. I was there from 1957 to 1961.

Q: Could you explain what the Embassy was like and then talk about what your work was?

BARDACH: Yes. The embassy. Obviously Switzerland is a small but not unimportant country. It still had the lingering reputation of having been an important listening post during the Second World War, kind of a headquarters for the intelligence operations. You will remember that Allen Dulles was one of the important functionaries there during the war collecting intelligence.

Q: He became the head of CIA.

BARDACH: He later on became head of CIA, but, of course, that aspect of things declined very substantially. It was not really relevant anymore when I was there. The mission was a relatively small mission with an Ambassador and a DCM and a Political Officer and a more junior part time Political Officer who also did labor work and things of that nature. We had an economic section with an Economic Counselor and two Economic Officers. That

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was basically it. There were other functions in the embassy. There was an Admin section, a relatively small one because in sophisticated European countries you could depend on the local Swiss employees to handle much of the Embassy physical work, engineering, maintenance. There was a Consular section with usually one American Consular Officer. The rest of them were local staff, and then a USIS office with a couple of American people. So, it was a small family, and, of course, in those years our problems with Switzerland were really issues left over from the Second World War. The settlement of enemy alien claims that had somehow or other been tied up with Switzerland. Certain assets had been placed into Switzerland and we had vested these assets.

Q: Now by saying you had vested the assets that means...

BARDACH: That means they were supposedly under American control. For example, there was one big case, the Interhandel case which was a major case involving the General Aniline Corporation which also had properties. It was a German company, but partially owned by Switzerland, and they'd had large chemical plants over here in this country. By vesting, that meant that these were vested as enemy properties and were under control of the enemy assets office. That was a big business in those years. I think it was mostly run by the Treasury Department. That led to a great many disputes, and this particular one was nasty. In Switzerland it was handled at the highest level in their government. That involved their position that it had not been enemy property basically but had been a property owned by a neutral country. It was very tricky because so much of it had been German ownership and so much of it had been American ownership and so much of it had been Swiss ownership. It took years. By the time I left in Switzerland, it was not yet resolved. I don't think it was resolved until about 1970. This is just an example of one of the issues we were dealing with the Swiss about. Another very important issue was banking secrecy. We took it upon ourselves, you know, in those years, no one was concerned about human rights. In fact, I don't even think the word had been coined. In those years we were interested in other things like hidden assets and secrecy etc., and for Switzerland, this was particularly relevant because there was and still is a certain banking

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secrecy. That made it very difficult for us to investigate or to try to get the Swiss to help us investigate criminal cases, cases of tax evasion of which there was a great deal and probably still is today. So, there was a major effort over the years to get the Swiss to relax somewhat, at least sufficiently to get the Swiss to work with us. Over a period of many years, started in my time, that has lead to a fairly successful conclusion. We now have certain kinds of legal aid agreements with the Swiss whereby if there is evidence of some criminal action or some criminal assets that have been hidden, the Swiss are willing to help us tracking these things down.

Q: Well, during your time there '57 to '61, would you go off and talk to Swiss banking officials, really I mean the Economic Ministry. What would happen?

BARDACH: Good question. We were somewhat limited in what we could do as Embassy officials in terms of contact in the private sector, especially in the commercial economic sector because of their almost paranoia about economic spying. They were extremely sensitive on that. If I had reason or wanted to go to a factory or something of that nature, even just to collect some information for an economic report or something in that area, I would have to first clear that with the relevant ministry in the Swiss Government. I would tell them that I wanted to do it and get their permission to do it. There were instances when they would say no we don't want you to do that. If you want some information, come and see us and we'll get it for you.

Q: Did you run across this thing? I was a consular officer, and normal consular treaties mean that you can see anybody, but if you are a diplomatic officer, you technically particularly in Communist countries, they made you go through the Foreign Ministry. For Example, should the Consul in Zurich go to the factory or something because it is a different...

BARDACH: No! I don't think the Swiss drew that line of demarcation. I think the consul in Zurich would have had the same restriction. Now, of course, it depends if you have a

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good personal contact. You know, you live there and you know some of the Swiss Zurich bankers so, sure, you meet them for lunch or you do things like that. That was perfectly all right, but to make a formal approach to a bank to seek certain information? The banks themselves would say, Oh no, we can't do that. We had a number of instances a very interesting thing. We had, you know early on, our government spread its wings through all its programs of consumer protection and food and drug administration checking out things here, there and everywhere. That was particularly quite active in the after war years in Europe. We had some agricultural inspectors posted in Germany somewhere. They would go all over the place looking at whatever, the milk, and one day they decided to come into Switzerland. You know, why not. It is a nice happy friendly country full of chocolate and mountains and so why not come to Switzerland? So they went to Switzerland and drove down or took the train down or whatever and went straight to one of the little towns to a farm factory or milk factory or place where they made butter that was being exported or something like that. They said here we are; we are with the Food and Drug Administration and we'd like to look around. We are kind of inspectors and something like that. Well, that was a big hullabaloo. Who are these people coming in here spying? Just to give you an example; they were that sensitive.

Q: I could see this. I could see that Nestlé chocolate is all of a sudden not considered safe because of some guys come around and found something. Of course, we did have a program where we were buying tremendous amounts of butter, meat, and everything else in various countries where we had... In Yugoslavia, for example although it was a Communist country, we still had our meat inspectors in Yugoslavia because the American Army was eating a hell of a lot of Yugoslav meat. On Communist collective farms. I'd like to pick up the attitude. On some of this, what was within the Embassy the attitudes toward the Swiss? They were a neutral people, but did you get kind of annoyed at them?

BARDACH: Oh yes. I have to tell you, the Swiss are among the most difficult people to get to know. They are inward looking. They tend to be a little stuffy. It depends, of course, on

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what part of Switzerland you are in, but the Bernese particularly, and Bern is the federal government.

Q: That is German speaking. The Italians were somewhat lighter?

BARDACH: Oh yes, the Italians are lighter. Of course, you have the different ethnic groups represented in the Federal Government. The government is run by a council, the Federal Councilors, I believe there are seven. There are representatives from Swiss Ramonde. The French Swiss tend to be a little bit more flexible. But, one thing one has to remember about the Swiss: they are very solid citizen types; they are not Machiavellian, really. They may be rather strict and stuffy, but they do try to take a helpful attitude. They realize that even though they are neutral, they have some role to perform in the world. From my own personal experience, and maybe mine is a bit exceptional, I made it a point in my work of befriending, almost immediately, key officials in the Swiss Government that I knew I would have to work with. We found common grounds, common interests, which I explored with them quite intentionally. One thing, the Swiss love is to go walking in their beautiful mountains. To have an American come in, Americans who are not usually great walkers, come in and say why don't you show me some of the nice hikes in the Bernese Oberland, and let's do some hiking together, they found this wonderful. Ah, he is interested in our mountains, or other interests such as musical interests or literary interests. This helped. Once you make a good friend in Switzerland, it becomes very solid, but you have to work at it. It isn't the kind of thing where you walk in overnight and the next day they say "Oh, Hi Henry". It's not that quick.

Q: This is tape three side 1 with Henry Bardach.

BARDACH: You asked about the major issues. I mentioned already the sort of cases that were hanging over from wartime, the enemy alien assets problems like the Interhandel case, the banking secrecy, but above all, and that was in my economic section bailiwick, was getting quiet co operation from the Swiss in East West trade.

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Q: Could you explain what East West trade meant in those days?

BARDACH: East West in those days meant the trade going through the iron curtain to the Eastern part of Europe i.e., Poland, East Germany, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, Russia, and beyond. Even China was considered East West trade; of course, we had no relations with them. East West trade in a sense for awhile at least in the minds of some people in the Defense Department was almost a dirty word or a dirty phrase. The idea was why trade with the countries that may potentially do us a great deal of harm, go to war, bomb us to pieces etc. Anyhow, one of the outgrowths of the after World War II period coming out of the Marshall Plan, putting Europe together, getting it back on its economic feet was the establishment of an organization to co ordinate the different countries' trade in strategic items and defense related items. These were what was known as strategic trade controls or economic defense trade controls. An organization was established in Paris in 1948; it is no longer in existence; it terminated two years ago, called COCOM. It was simply known as Coordinating Committee. It was not supposed to be a formal organization. Of course, over the years it did become kind of an informal, formal organization with a small headquarters in Paris. COCOM developed a list, a so called control list of strategic commodities on which we would consult with the other countries or they would consult with us. It was a consulting coordinating committee but in the original agreement there was a definite control agreement that in effect the countries committed themselves to control the shipment of certain items to the Eastern Bloc. The idea was that by either prohibiting shipments of certain strategic items or limiting shipments of some items like chemicals etc. that we would keep these countries from developing unfriendly industries, weapons and enhancing their defense or offensive capabilities. All this was born from the great concern that had developed about the Soviet Union and its satellite countries and what they might be doing etc. It was in many ways the economic equivalent of what NATO became. NATO was also an organization that was set up to defend Europe and the rest of the world, but especially Europe against the Eastern countries against Soviet dominance. COCOM was a parallel action for this objective. Now,

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under COCOM, of course, individual countries had their own export control legislation. We have an export control act that is still in existence. It has changed markedly now, but we had an export control act with various lists and quite a long list of items that you could not export unless you had a validated license from the Commerce Department etc. As much as possible, these lists were harmonized with the so called COCOM lists. Our export control lists were in effect replicated in COCOM too. In other words, COCOM would have different lists. There were some lists that had items that were completely prohibited from shipments. There were some items that could be shipped but only with a license. It was even more complex. There were items where certain shipments could be made only up to a certain level either by value or by quantity, usually it was by value. This meant that there was a very complex mechanism. If the French wanted to ship a certain kind of high powered generator to Poland, technically they had to first take this into the COCOM, the Coordinating committee, where it had to be discussed and the other countries had to agree that this be done. Okay, we developed this vast network of trade controls, an international organization and staff to handle this in our Embassy, It was part of this whole economics business. Originally actually, because it was an outgrowth from the Marshall Plan era, originally the AID people handled a lot of this work. Then it was gradually shifted to the economic function in the State Department where it really should be because there were very many political overtones in this. The question, of course, arose, how are we going to deal with the so called neutral countries in Europe? What are they going to do? They are not members of NATO, Sweden, Switzerland, Austria. We've got to try to get them into the act or else it is very obvious that enormous leakages can take place. People can quietly ship these things through those countries and then they are re exported, or they can ship their own etc. So, we negotiated with those countries, and particularly with Switzerland we negotiated a special agreement which you can find in one of these volumes, Foreign Relations of the United States. That agreement was consummated roughly a year or so before I got to Switzerland. The negotiations started in '55 and '56. By the time I got there, it was just really beginning to flourish. We had developed with the Swiss ceilings on certain items which they produced themselves, and that they would not

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exceed these particular ceilings in any given year of shipments of these items. I came in to this just as we were negotiating new levels of these so called quota items. It was a very secret operation at that time because the Swiss were extremely sensitive to publicizing their, shall we say, quiet collaborations with us.

Q: What was in it for the Swiss at that time to do this. Why not just sit back and reap the benefits of being neutral and being a trans shipment point.

BARDACH: That is a very good question. First of all, their trade with the Eastern Bloc countries was still very minimal. Don't forget those countries were not in any great economic shape to engage in big time transactions. They did have certain things they shipped there, but they were much more interested in trade relations with the rest of Europe and the United States. We became very early on one of the principal trading partners of the Swiss, and in that type of partnership it was in their interest to play ball with us, and to be part of what their neighbors, the Germans and the French were playing into this. So I think they made a wise decision not to ignore this because I think if they had ignored it it would have led to a lot of frictions. If we had evidence of an illegal trans shipment, then we would have had a reason to make a diplomatic demarche all the time to the Swiss and say hey you can't do that. This way we had an organized, formal channel to deal with them in this. There were many actions by the Commerce Department, regular cases; they were called administrative action cases. We had a legal basis of doing those. We would designate certain Swiss firms when we had evidence of certain things that had been trans shipped. Then we would go to the Swiss government and say please investigate that, and please reprimand them. Those firms were on our blacklist. This meant that any American company wanting to sell something to that firm in Switzerland, an item that they wanted, they wouldn't be able to get it because the Commerce Department wouldn't issue the license. It normalized what you would call a negative situation.

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Q: I would think this whole system would require a pretty sophisticated intelligence system, not necessarily plain spying but knowing what generators are going from what factories where and that sort of thing. Who was doing this?

BARDACH: The Commerce Department had a good way of tracking. We had what was known as transaction controls and another program called end use controls. The Embassies were involved in this. Here was the difference between, let's say, my counterpart in Bonn and myself in Bern: the guy in Bonn, if there was a transaction check, end use control if something had gone to Siemens and we wanted to be sure that it was still with Siemens and had not gone to East Germany, the guy in Berlin or Bonn or Frankfurt could call up somebody in Siemens and go and see him and find out about it without necessarily bothering the German Government. The Swiss being neutral, the sensitivities, under the agreement we had, they said well, we'll play ball with you. You cannot go and visit Brown Boveri or Seltzer and Company or any of these people and visit them directly and try to find out. That was an absolute no no. I would go to my counterpart in the trade ministry, and they had a specialist there who had done this for years, and it was my job to cultivate this man and become very friendly with him. We did become good friends, and they would do the investigation themselves.

Q: Well, would you in your job in the economic section in Bern get information about shipments from Switzerland that were going off somewhere. I mean somebody has got to get the intelligence to have us make our protest.

BARDACH: There are always people who are selling to give information to Embassies and things like that. We had programs in place through other arms of the US Government that helped in this.

Q: But also would you be getting things equivalent to the French intelligence service, the British intelligence service etc. I mean did you have a feeling that...

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BARDACH: Yes, to some extent, but I think more of that flowed into Washington than to us, then it came out the other way.

Q: A final question, did you feel, I mean you were right at the beginning of this thing, did you feel that it was working pretty well in spite of the fits and stuff?

BARDACH: Oh, yeah. I came away from several years of working on this with the feeling that we had accomplished something. You can always argue that trade controls are a negative kind of thing because its trade deflating rather than trade inflating. On the other hand, in those years there was a very substantial premium in keeping certain kinds of things out of the hands of the Soviet Union and to lessen their ability to enhance their defense or attenuate their ability to enhance their defense capabilities. The more obvious question is the economic fallout of this because there were obviously certain things they wanted in the economic sphere, advanced machinery and advanced technology. It became very difficult for the Soviet Union to accomplish this. The history has not yet been written on the fundamental question of how much did this vast program of trade controls, against China too by the way, we had a China list. There was a COCOM list and a China list too. There was a committee for in COCOM in Paris for China. How much did this contribute to the eventual downfall.

Q: Which was essentially an economic downfall.

BARDACH: It was an economic downfall. I'm inclined to think there was definitely some element of this that played into it. It was not the only reason why suddenly or gradually the Communist regimes began to crumble; there are other reasons. Some of the obvious ones were that people began to feel that there were things that they should have. They saw what was happening in the Western world and what I call the supermarket syndrome. They saw how economies were developing and what economies can be like. I think this played into it too. But, certainly the strictures and difficulties of doing trade with the West were accentuated through this control system. In the case of little Switzerland itself, it was a

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necessary aspect of our relations with the neutral European countries at that time to have them to be on board. It was a successful operation. Personally, I feel that I contributed to doing it in a pleasant, smooth way. It didn't create any major fallout between us and the Swiss. It was a collaborative system. Sometimes I would be running over to the Trade Ministry two or three times a week with the latest message from Washington saying we think that such-and-such company has done something bad. They have shipped something. All right and they would investigate.

Q: Did your man at the Economic Ministry sort of sigh when you would appear.

BARDACH: Not really. It was almost a full time job for him. He made a lot of very good contacts in the Swiss industry through this. He knew practically everyone in the Swiss industry through this. He would pick up the phone and say well we've got to investigate this thing. That was certainly one major aspect in my work there.

Q: What about something that I understand is still cooking there. Switzerland had been for years I mean post war, pre war had been the repository. I mean having a Swiss bank account was a place you could kind of hide your money. With so many people in Europe particularly the Jews many of whom were killed and even your own family or something, during the difficult times during the '30s the Hitler time, you would have I assume a lot of assets, we are going to put our money our gold or jewels in a Swiss bank account. And then the people were either emigrating to the United States or slaughtered. Was this something that we were trying to do something about?

BARDACH: Not really at that time. That had not really surfaced yet as a major issue as it is now. There is some effort now to try to locate some assets of people who are no longer in existence, people who have long since died or were killed. That issue had not yet emerged at that time. More importantly from the US Government viewpoint was the question of Americans hiding away, working through Swiss banks to make their investments and things like that to avoid tax obligations. That became a major issue while I was there. It

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began and then there were negotiations and countless visits from teams from the Treasury and Justice Departments who would talk to the Swiss who were always very friendly and cooperative. We would talk to the Swiss about how we could find a modus operandi to deal with this. It wasn't that the Swiss attitude was that it is none of your business or anything. It wasn't that at all. It was just that the way their social and economic system has developed, they've always felt very strongly that there has to be behind the scenes secrecy with what people do with their banks etc. Of course, since there are so many foreign funds that flow into Switzerland, this becomes hardly a domestic issue for them anymore.

Q: It is not just the United States, but the Brits and others. The thing is it might be their culture but they are making a hell of a lot of money at it.

BARDACH: Obviously the banks are plush and it is a very wealthy country; there's no question about that.

Q: Were you at all involved in economic investment trying to get the Swiss with all the money they have to invest in the United States? Was this any part of a program?

BARDACH: Only very gradually during the end of my tour we did. There were two things that were happening that I remember. One was that we became very conscious of the fact that there was a balance of payments problem. After the war, the US was riding high. We were strong; we were affluent relative to the rest of the world, the developing world as well as the destroyed European world. We had a balance of payments surplus; the dollar was strong; we were riding high, and that gave us a great deal of confidence. Americans felt you know we can do anything. This attitude sort of permeated in the government too in the State Department. When it came to doing certain things overseas and starting AID programs, the Marshall program, it is no problem, so we appropriate a few million dollars. In those days a million dollars was still a great deal more. A \$10 million country program was a great deal in those years as later on it would have been a pittance. I sensed already

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early on that this was going to start to slide, that somehow or other this couldn't last. I felt that this was another reason why the State Department, the economic chiefs, had to realize there were very important economic considerations to what we were doing or planning to do. I even had an incident, I won't mention any names, but I had a couple of incidents in my early years in the Far Eastern Bureau, where senior officers came to me, Office Directors etc., and said to me, Henry, tell me exactly what is a balance of payments. Now, that is impossible today. The new generation, the new establishment, the new Foreign Service, you have to know even more than just the balance of payments. But, you had that kind of a situation; therefore, it became almost a shock to people that we might have to sell more overseas, and we might have to play a role in promoting exports. This came to manifest itself already in my second year in Switzerland because Washington decided it had to give more of a boost to the commercial function overseas. What to do? Because Commerce was plugging already for its own separate commercial service. The State Department resisted this. We said we will enhance our staffing; we will put in more commercial attaches. So, the question came to Bern, a small post, what are you going to do? We don't have the resources to assign an additional person, but you are to designate one of your officers to handle the commercial work. The Embassy went back to the department and said we are prepared to do this, and we have a good candidate, Mr. Bardach, the economic officer will henceforth will simultaneously do the commercial work. In order to make him more effective, we want him to have adequate rank to carry out this function. We therefore propose that he therefore be called commercial attach#. Not just commercial officer but commercial attach#, so the next thing we knew I got a new personnel action saying that henceforth I am the economic officer plus commercial attach#. I believe at that time I was still a second secretary at the Embassy. I remember the peculiar bureaucratic ways at that time. There was a note saying that the Department does not normally assign the rank of commercial attach# to a second secretary of an Embassy. In this case we are making an exception because of the good qualities blah blah. Anyway, I became the first commercial attach# that we had in Switzerland. I don't believe we ever had one before; I was the first one. It was sort of my show. I had to

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develop my own thing and to get programs to help the American business community and the Commerce Department and the State Department in targeting certain areas in which we should pay greater attention as far as American firms are concerned. It was not an easy thing to do in Switzerland. Switzerland manufactures so damn many things.

Q: Yes. You would assume that an American firm would do their homework before they arrive.

BARDACH: That's right, but they don't always do that. At that time also there was a program starting in the United States to attract foreign investment to come to the United States. That came to the embassy too, to try to devise ways of encouraging investment in America. But, for Switzerland it was a little bit nonsensical to even think about this because the big banks and companies, first of all the big chemicals were already established in New Jersey. The banks already knew what was happening in this country, a sophisticated people; they really didn't need too much help. There came in one other thing which was tied into this to attract people to America. We had a mission come out to Switzerland, a high powered mission to advertise the World's Fair in New York as a means of getting the Swiss to be more interested in the United States. In that mission there was a famous newscaster in those years. It wasn't Cronkite or Edward R. Murrow. It was Gabriel Heatter who was asked to lead this mission to come and advertise the New York World's Fair and in the broader spectrum the American scene as a place to invest. So, this was beginning in those years; there is no question about it. Speaking about promotion, this is perhaps historically not as significant as some of the other things but I was always very conscious of the fact that we had to promote the American image and American culture. Being a great music lover, I always felt that inadequate attention was being paid to this sort of thing by the Department. USIA had started, so one of the things I began doing in Switzerland, it was a lot of fun, I presented on my own with the endorsement of the cultural attach#. We didn't even have a cultural attach#; It became kind of a hobby of mine. I presented programs of American good classical music to small groups of audiences in Bern. They became quite popular. I did that with phonograph records. In fact, in May,

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1959, the Ambassador through his public affairs officer wrote me a letter congratulating me on this work, and saying that more than 100 persons, half of them Swiss and half of the others from other missions, Canada, Brazil, Germany, Great Britain etc., greatly enjoyed these two programs and contribution to American culture. As a direct result of your fine contribution, Mr. Luk Farmer, conductor of the Bern Symphony, has informed me that while his organization has never played American music before, he plans to include one of your selections, Aaron Copland's Appalachian Spring, in an early program of his organization. I have to tell you, that gave me about as much pleasure as anything else.

Q: Before we leave this Switzerland thing, I wish you would comment from your reflection of how they operate on the caliber of the American Ambassadors there. I assume there were several there.

BARDACH: I think it is probably generally well known that we have not always done too well by countries like Switzerland in the appointment of good professional people. Those lovely Alpine hardship posts have usually been staffed by political appointees. This has not been too well received by the Swiss over the years, although I think I have to honestly say they have gotten used to it. Which means, and this is something again for young Foreign Service Officers to remember, that there is, of course, only one Ambassador in a country, the Ambassador, but basically that is really not quite accurate. In many ways almost everybody in a mission is an ambassador. You have a certain role to perform in your particular area, and you have to picture yourself as an ambassador or you are frequently thrown into a situation where, shall we say, if your Ambassador is not too popular with the host country, that you in effect are carrying the ball for the United States. Whatever the issue may be or whatever the social occasion may be, and so I felt this early on that there was a real challenge in a country where the Ambassadors are not as well received or not as popular. The Ambassador during most of my time in Switzerland was, of course, a political appointee, Henry J. Taylor, now deceased. He was a conservative, highly conservative writer. He had been a writer, quite a wealthy person, and brought his conservative ideas with him and had some rather quirky things in his whole makeup that

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didn't go over too well with the Swiss. By the way, this is not unusual; it has repeated itself over the years.

Q: Still, every time you turn around we still seem to be having this, and the Swiss seem to be the recipient.

BARDACH: That's why it is very important that you have a good DCM and your political and economic people, the people who go out there and see the Ministry, the Political Section, or the trade section. They are the ones who carry the ball. I was very conscious of that fact early on. I will say later on when we get to Vienna, which is much later in my career, I will have something also very positive to say about the Ambassador during my time there who was also politically appointed, but who was a superb individual.

Q: Henry, why don't we stop at this point. We are at 1961, and you are leaving Switzerland.

BARDACH: We are leaving Switzerland and going to Hong Kong.

Q: It is the seventh of June 1996. Okay, Henry, how did we get to Hong Kong?

BARDACH: Well, how did we get to Hong Kong. I suppose the fact that I had spent several years in the Bureau of Far Eastern Affairs helped with that particular assignment. It seemed to be very well suited to my background particularly on the economic side. Even though I was not a China hand or an Asian language officer, my experience in the bureau was, I think, very relevant, and Hong Kong was a very expanding post. The American Consulate at that time, and I believe it still is today, although it may have been cut down a little bit, was one of the very largest such posts in the world. I think the only one that may have exceeded it in numbers of people may have been Frankfurt, Germany. It was a regional headquarters for many other agencies. Primarily its main raison d'être at that time,

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or so it was sold, was China watching. It had an enormous section of China specialists, all very good people. It was, of course, in many ways quite a contrast to something like Switzerland, but Switzerland was a good start for me, and Hong Kong was obviously a much greater challenge. The way the consulate was structured then, we had what was known as a Mainland China section, an enormous section as I remember, which most of my time there was headed by John Holdridge. It had a lot of people in it who later on, China hands, became stars or semi stars in the Foreign Service. They were people like Herbert Horowitz and Heyward Isham and Burt Levin, and there was just a whole batch of people in that league. Then we had a Hong Kong section that dealt particularly with the relationship between the United States and Hong Kong and the British role in Hong Kong and all the issues that were then emerging which turned out to be extremely challenging and very interesting issues.

Q: You were in Hong Kong from when to when?

BARDACH: We arrived in Hong Kong very early in '62, I believe it was January. We came by boat. Those were the wonderful days when you could still travel by boat to make it a nice restful journey. It was rather long. Perhaps with little children it was too long. It was 31 days from leaving San Francisco until we arrived. We got to Hong Kong, the first thing I remember the headline, United States plans textile restrictions on the colony. Big headlines. That gave me a clue right there of what I was in for.

Q: You were there from '62 until when?

BARDACH: From '62 until '66. A full four years. We had some startling experiences right at the very beginning. Hong Kong was not the easiest place. It sounds like a Babylon and it is. It was at that time some sort of a Babylon, very exciting, but to live there, it is a congested town. It has very few private homes. Believe it or not, we finally ended up in what was a small garden apartment which was almost the next best thing to a private home. But, in order to accomplish that we had to move well out, well beyond Repulse

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Bay, to a little fishing village, now not so little anymore called Stanley. When I talk about the very fine group of people I left out Nat Bellocchi who was there then. He was doing consular work; he wasn't even doing substantive work.

Q: I had an interview with him as with John Holdridge.

BARDACH: And John Holdridge, of course and Oscar Armstrong, lots of old timers, it was really a meeting ground of old Far Eastern hands, but above all, Marshall Green, one of the stars of the Foreign Service. I had known Marshall before when he was with the Far East Bureau. He had been kind of a regional advisor. We had gotten to know one another. I liked him. He was Consul General, and he greeted us very warmly, and the years that he was there were certainly very marvelous years.

Q: He was the Consular General.

BARDACH: He was the number one, the Consul General. At a big post like that, with several hundred people, both Americans and local employees, the Consul General, the Chief of Mission, has a job infinitely more complex than say an Ambassador in a tiny little country where he is practically by himself.

Q: What was your two, you mentioned there was the China watching and then there was the Hong Kong. Which were you in?

BARDACH: I was in the Hong Kong specialty the entire time. I was in charge of what was known as the economic unit. This, of course, had one particular plus. This was still a period where there was absolutely no contact with mainland Chinese whatsoever. The China watchers were relying entirely on different reports, intelligence reports, radio reports, anything they could get hold of, talking to some people in town, maybe, who had some knowledge. But, you also have to remember there was very little travel for Hong Kong people between Hong Kong and China. It was very limited, and if anything, the movement of people was the other way. The Cultural Revolution was beginning; things in

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China were really lousy. There was an enormous influx. You remember for awhile there were hundreds of people daily that would come in. The British tried very desperately to accommodate them. They did a reasonable good job by building these big houses over on the mainland, Kowloon. It presented a problem for the United States of course too because we had to render some sort of assistance. We even had a refugee unit in the Consulate General that dealt with these problems, and my particular unit liaised with that unit. In my position, I had a great deal of contact with the local community, with the British chieftains, not particularly with the Governor. The Governor was the Governor, and his contact, of course, was the Consul General. But, below the Governor's level, I had contact with the all-powerful Financial Secretary with that wonderful name Mr. Copperthwaite, a real British economist type. I had contact with the British chieftains in the different departments, generally the Department of Trade or the Commerce Department. All these were very highly educated Oxford, Cambridge members of the British foreign Service, or more often than not, people who had been in what was called the Colonial Service which, as you recall, was integrated, really abolished, and the rest of the people were brought into the diplomatic service of the Foreign Office. That was very pleasant. Having attended some years of school in Britain, I had a leg up. The Chinese officials, too, and Chinese business people.

Q: You are talking about Hong Kong Chinese, not mainland.

BARDACH: Hong Kong, because my job was really comparable to a job in Paris where the economic man has to have contact with the local business people and the Chambers of Commerce, all of that. I'll get to the Chambers in a minute.

Q: When you arrived, you said there were headlines as to the textile thing. I guess textiles was one of the big games for you wasn't it?

BARDACH: Absolutely. I think I preoccupied myself with textiles during the four years I was there I would say easily 50 60% of my time. It became a very major issue between us

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and Hong Kong, much more between us and Hong Kong than between us and the British. Hong Kong had its own arrangement commonly known as the Lancaster Agreements between Hong Kong and the British because the Lancaster industries were equally sensitive and perturbed about the possibility that Hong Kong textiles would cut into the Lancaster operations. So, they had their own arrangements. But, the British officialdom, as I say a highly sophisticated, pleasant, but shrewd bunch that ran the colony, that were in charge, were very much aware of the fact that the development of Hong Kong, its democracy, its economic viability, its well being, was very much dependent on the ability of the colony to produce and export, and they were producing like mad. The reason for that historically is very interesting. Many of the rich, wealthy Chinese had fled from the mainland — particularly the Shanghai tycoons. Shanghai had been a big textile center but there were a few other cities involved in China too, whose businessmen had come to Hong Kong. Not, contrary to popular belief, that all the Chinese capitalists and the KMT people went to Taiwan. That is not 100% accurate. There was a lot of money and a lot of talent and a lot of technical know how moved from China to Hong Kong. The British were very sensitive to that. They realized that with a little bit of help, they could go on running and provide a wonderful economic cushion for an ever increasing population, not only refugees but people who were already there. The population did increase very rapidly, and provide employment and provide stability, and make Hong Kong what in effect it is. It shot up in growth. I didn't keep too many statistics, but if there had been very accurate growth statistics, it probably would have shown during that period one of the highest growth rates in the world. It was just spectacular, lots of building, lots of wonderful new hotels being built. I was involved in the establishment of what later on became the Hong Kong Hilton Hotel. It certainly became a showplace for capitalism. It was particularly marked and it was dramatized by the fact that here it was sitting right on the edge of one of the most extreme totalitarian Communist regimes in the world at that time. Mao was in the saddle, and he committed this horrible mistake with the cultural revolution. We all know what was happening. In retrospect, it was a very bad era for China, and here was Hong Kong the absolute contrast to this kind of thing, where the

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people were busy sustaining themselves, advancing economically, and making a lot of money. I always used to tell when I briefed Congressional delegations when they would ask well, what's the policy of the local government? I said really basically they have no policy. Their policy is unfettered, uncontrolled, open, free markets and maximizing your profits. There was a very low tax structure. This was very smart; it was an incentive for a lot of foreign companies to come in as well. The American Club which was kind of a businessman's group when I got there in '62 was relatively small. By the time I left, it was hundreds and hundreds of firms and people had joined. They had to move to a new building because the old one wasn't adequate anymore. I remember very vividly, you had mentioned the importance not to be denied of the China watchers. This was an important thing for our Consulate General in Hong Kong. However, it rapidly became very evident, and I believe I helped somewhat in that, that the work of dealing with Hong Kong itself was equally important. The jobs of several other people who were working at the consulate expanded and became important. It even created a little Foreign Service sidelight, little jealousies, because the people doing China watching really didn't have all that much to do with Hong Kong. I had a great deal to do with Hong Kong. I was invited by everybody. The Chinese are great entertainers. Even the British; we became friendly with several of the reserved British officials. In fact, I became very friendly with several of them and am still in touch with a few of them. This was in a sense a good professional life. It got me out; it got us invitations. As for some of the other people, it didn't; but that's neither here nor there. I mentioned the fact that Hong Kong was important because it was a showcase for capitalism. Marshall Green also became very much aware of the meaning of Hong Kong; the significance other than just being a port and a trading area and a listening post and all of that, also the importance of keeping it viable in preparation to what we anticipated quite accurately as an ever increasing effort on the part of the international trading community and especially the United States to try to limit the shipment of textiles. After all, it was the lifeblood of the colony. He asked me to do a report which I believe I entitled Hong Kong, Bastion of Democracy and Capitalism. I think we made it unclassified so it would get plenty of circulation. I was very proud of that. He, Marshall, insisted that he sign the airgram. It

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was sent out as an airgram, of course, it was several pages long. Marshall insisted that he would sign it himself. That kind of became sort of the basic assessment on which we developed our attitudes and policies with regard to Hong Kong. The pressure from home was really quite enormous with regard to the cotton textile agreement. It was based on a list of general cotton textile items that had been developed in Geneva under the GATT. There were something like 60 categories initially. By the time I left, it wasn't even cotton textiles anymore; it was synthetics; it was everything else. Eventually it became the all fiber agreement. The politics in this were enormous, the domestic politics. I don't have to tell you.

Q: No, but I think it is important to talk about because here we are looking at a tremendous battle. One, we were strongly anti Communist, and everybody wanted to have as you say this bastion of democracy and capitalism there to sort of stick it in the eye of the Communists. At the same time, nobody is more vociferous as far as their screams and yells and with due reason than our textile businesses, particularly in the South. No in the North. So could you talk about this?

BARDACH: It is very important to realize how domestic pressures work even on very simple things like mushroom growing. I remember mushroom imports from Korea used to be a problem because of the Pennsylvania mushroom people. All it takes is a couple of Congressmen or one Congressman and one Senator and they can make an awful lot of noise and they can make a lot of trouble for our policy apparatus. That really hasn't changed today. It is important to realize how this can play into the Foreign Policy mechanism, how important this becomes. Especially in the instance of textiles which is still very strong today; this has gone on for decades. In the instance of textiles, you had a very powerful lobby, the Cotton Textile Institute, which was really the lobby for the domestic textile industry. The biggies like Burlington Mills and all of them had very strong lobbies and very good contacts on the hill and at the White House. President Kennedy was

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probably very sensitive to this being from Massachusetts. The sensitivity continued with LBJ, of course, but then it goes on into a later era. We'll get to that.

Q: Nixon was he had, oh, boy! It was Japan. That was his preeminent...

BARDACH: I will come to that because I had the "privilege" of traveling with his Ambassador at large, David Kennedy, who died recently. He had been Secretary of the Treasury at one time. He was a really nice man. He was the hatchet man for Richard Nixon to get people to abide by our desires for curtailing textiles. Textiles played really an important role in a major part of my overseas career because they always seemed to creep into it again, even in the case of Korea. We'll get to that later. Hong Kong was the piece de resistance because that was the big thing. The press thought that was a big subject, and they were after us all the time and they were after the British. It became a wonderful lesson for us at the Consulate, for me particularly, in the art of negotiating and building up confidences with primarily then the British officials. At that time the key positions like the Assistant Directors of Commerce, not only the Director, but the assistants at lower levels, were all British employees of British civil service or Hong Kong civil service. They belonged to Hong Kong. They were not paid by the Brits as such but were paid by the Hong Kong Government which was British of course. Gradually, though, the British very wisely began to wean their personnel from the lower ranks where they had brought in quite a few bright Hong Kong Chinese, and gradually they moved them on up so that today the majority of the people in charge of all of these technical agencies of what is left over as kind of a government is in Chinese hands. The British already in those days were cognizant of the fact that one day things will be a little bit different and it will be in their interest to have locals run the place rather than they themselves. That was already very much in their minds. On the other hand there was never any question of who was in charge. There was no doubt about that, the British were. This was still one of their last remaining large important colonies. The British were proud of it. The people who worked there were proud of it. There were some wonderful people among the British officialdom. Really, in 1962, 1963, 1964, it seemed like it was still a long way

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away from 1997, next year, when the colony would, of course, go to China. They were quite relaxed about it. Now, this became evident during the many visits by American officialdom. Hong Kong like Paris or London or now I suppose Prague, wonderful places that are fascinating and good for shopping, became a favorite stomping ground for the CODELS, the Congressional Delegations. We had an enormous number of those. We always felt, and I know Marshall Green felt and his successors did too, that this was a great opportunity to show Congressional Delegations what it is all about in the foreign Service, why Hong Kong was important. I was in charge of CODELS many times. It was very time consuming. There was one year where we made a statistical survey; we had two thirds of the entire Congress of the United States, House and Senate, pass through Hong Kong. Now you can imagine the burden that imposes on the Consulate General.

Q: I imagine that a significant number of those stopped to have suits made.

BARDACH: You bet! I recall many instances of suit cliffhangers. You know, when they come for two days and all right we'll take you where we know this tailor here.

Q: James Lee, was he one?

BARDACH: Yes and Mr. Fung and Mr. Ping Pung Pang. Anyway, some of these Congressional people, bless their souls, came with names already. Somebody else has told them you've got to go see this one. If you are staying at the Peninsular, there right down the street is somebody. At the Mandarin Hotel there is a good tailor and at the Hilton etc. First off, let them go and have themselves fitted. Well, the tailors did say these things would be done very quickly. They were done quickly. At that time the suits were still very cheap. That's completely changed, of course. That changed already very rapidly in the '70s and '80s. There are no great bargains anymore in Hong Kong. But at that time, the people just had to have their suits made. They said, well, we'll have the suit ready for you in 24 hours. Well, it always took a little bit longer. Then we had these cliffhangers where sometimes some poor local employee or somebody from the Consulate, we had already

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gone to the airport to see these people off with their wives etc. and they would have to pick up those suits and get them to the airport just in time for these guys to depart. That was really a way of life there, and I don't make any bones about it. These people, they did have a very live interest in the place, but it was also very pleasure motivated as well.

Q: Could you use the trips of many of these Congressmen, many of whom knew little about Hong Kong except this is a place where you got suited up, as I did myself when I served in Vietnam. Anybody going in that area would do that, but at the same time, did this allow you to get in your bit about the importance...

BARDACH: And how! In fact some of my best informal public speaking training was working with these CODELs because we would get them into the control room. There was a control room at the hotel. One favorite place was the famous Peninsular Hotel we would have a control room. Oh yes, whenever possible, we would bring them to the Consulate, and they got a briefing. They always wanted a briefing on China and a briefing on Hong Kong. There, of course, we could tell them, give them some of the relationship, explain some of the history, how all these things have happened. I should add here, by the way, the British, the Chinese made Hong Kong because the British were a minority of population obviously. The Chinese even then probably were about 97% of the population. The British were a small percentage, but of course they were the ruling percentage. There were also a fair number, quite a few hundreds of Indians, and there was quite a Dutch colony too. The British through their banking system, the famous Hong Kong Shanghai operation who I believe later on bought out the Chemical Bank in New York, poured a lot of money into the place which combined with the manufacturing talent that came with the Chinese capitalists and industrialists helped a great deal in stimulating the growth. This is the sort of thing we told the visiting people. We told them how important it was for the future of Hong Kong that we give them the opportunity to sell their products. There were other things than textiles, but textiles were really the big thing. The other aspect of these visits that was very important was that they provided a place for some of these senior Congressional people to have a few days rest. Say they came from Southeast Asia

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or Korea, particularly Southeast Asia, they could stop in Hong Kong and write up their reports. The most famous annual visitor was Senator Mike Mansfield. He came every year. He drafted his report sitting in a nice comfortable room in the Peninsular Hotel. So his interest in Hong Kong was peripheral, but he was always there.

Q: Well he was the head of the Foreign Relations Committee particularly dealing with Asia, and later became Ambassador to Japan for many years. Although he was from Montana, his interest was profound.

BARDACH: Already then he was considered sort of the grand old man of foreign relations on the Hill. Of course we always treated him with our best gloves. He was always a pleasure. He was a very fine man. There were some Congressmen who were very demanding in many different directions and not always entirely savory in the way they acted.

Q: Did you have to get them out of the local brothel? Were there problems there?

BARDACH: Well, there were certainly things of that type. There is no question about that.

Q: Congressmen and drunken sailors are sometimes the two banes of...

BARDACH: It is a difficult issue. There is the need to inform these people and to strike a balance between that and just the pleasure seeking, the wives go shopping etc. is not always an easy thing. That continues to be a problem today. I would be the last one to say we should curtail these visits. On the other hand, the average American citizen who is not so familiar with foreign relations and what happens might, when he learns that in a certain year two thirds of Congress pass through Hong Kong, might raise the question what is the need for that?

Q: Why don't we follow through on the textile thing. What were the major issues. I mean we know the big one, basically we wanted to keep Hong Kong thriving, at the same time

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our textile industry wanted protection, and these are two very strong political motivations both domestically and internationally. Between '62 and '66 how did that issue and any corollary issues play out?

BARDACH: There was something that we called disrupting markets. I'm just going to talk about the American market. The disruption of markets manifested itself by enormous quantities of finished textiles, shirts, underwear, pajamas, you name it, as well as materials, unfinished textiles coming into the United States. The market disruption manifested itself by the impact of the merchandise coming in on the price structure. Quite clearly, with the very low wages that the Hong Kong manufacturers were able to pay, they could, just as what we see today from China and Indonesia and far places like Oman. I looked at a shirt yesterday that was made in Oman. They had very low prices; therefore, even though the importers and many American consumer organizations pointed out this was a very good thing because it helped us stem inflation because it gave Americans the opportunity to buy needed clothing and textile materials etc. cheaply; the domestic manufacturers objected to this of course. They said this is flooding the market; it is market disruption. So, how did this play itself out? Initially when I got there, we already had a one year cotton textile agreement which had been negotiated very shrewdly by us on a multilateral basis. It was done under the aegis of the GATT. It had the participation of other major textile producing countries like Italy, Germany, Britain, France etc. So, it was a multilateral effort, but for us it was a bi lateral situation. We had to first of all devise a system to monitor these shipments. That involved getting the Hong Kong people to have a specific licensing methodology, to keep statistics, and to report to us what was being shipped. The Hong Kong people, realizing where their bread was buttered, played ball very handsomely. They developed a very good system. Far better than many other countries I might say. We would get daily reports of what was being shipped. This was wired back to Washington, primarily to the Commerce Department of course. This gave a basis for us to judge where the big volumes of exports from Hong Kong were. It gave us the ability to negotiate with them what was known as restraint agreements. Restraint

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agreement really is a euphemism for the other guy says I'm going to limit myself to a certain level of shipments. That was the first thing that was developed, and we were in the front lines of that particular effort. We were pushed very hard, especially by the Commerce Department, but the State Department also had a big role in it. One of the experts in this area was in the Economic bureau and headed up the textile division. He was very much the kingpin for many years, a fellow named Stanley Nehmer. He was very shrewd, very adept. In a sense he was a bit of a buffer between the State Department and the Commerce Department. He, himself, was convinced that the wave of the future was controlled textile shipments globally, not just Hong Kong. There had to be what was commonly referred to as orderly marketing, and we devised quotas. Let me tell you quickly what happened here. The Commerce people, in consultation with the industry, which was extremely protective, developed certain ceilings, certain measures. If somebody could demonstrate there were so many handkerchiefs coming in, you know a million or two million handkerchiefs, this was really going to cut into the manufacture of American handkerchiefs or pajamas. Then we would have a level. We would go to the Hong Kong people and say we would like you to keep it at that particular level. That initially tended to be somewhat not a neat way of doing it. We realized in the different categories, and there were at least 60 different categories, we had to set up a methodology whereby the Hong Kong people would know in advance when to call a halt. Initially we were actually blowing the whistle, sometimes on a daily basis. That was very cumbersome. Then it became necessary to do this on a smoother, more long term basis. The measure we used was the number of pajamas, pieces or by value, I won't get into that. Say for the previous six months there were a million pieces of pajama that had been shipped. Then we would tell the Hong Kong people that for the next half year, you cannot exceed that. In a sense, we never tried to reduce drastically, but we tried to halt the growth of shipments. We in the State Department, the negotiators, tried very hard to keep that principle in place. That was the only way we could survive this whole business because the following year, I believe it was '63, we were challenged to negotiate a five year long term agreement with Hong Kong with regard to textiles. That was a major effort because not only did we have State

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Department and Commerce Department delegations come out to pave the way for the subsequent negotiations, but we had industry delegations. The industry delegations came out, and I met some very wonderful people. I have nothing against our textile executives. They would, of course, try to wine and dine us and say you all are great fellows; you are doing a great job protecting the American industry. It was very intense, very fascinating, and it was the kind of thing, the active negotiation, that makes Foreign Service work very worthwhile, certainly much more exciting than to do nothing but write dreary reports. Now, we had to write reports too, but often we were very busy during the day dealing with the active problems of normal marketing and getting the quotas worked out and all of that. We would have to work late into the evening to get out what additional editorial comments, etc., than were required.

Q: One of the accusations launched against the Foreign Service is that they are always looking after the other guy's interest rather than the American one. How did you feel you all came out?

BARDACH: The textile negotiating field is a very good example of the kind of give and take that makes for a good international negotiation. We obviously tried to persuade our own people as much as we could in the interest of getting an agreement and keeping the entire situation on an even keel, to come up with reasonable solutions. There had to be a tremendous amount of give and take.

Q: This is tape 4 side 1 with Henry Bardach.

BARDACH: I think it is insane to suggest that the Foreign Service only takes the side of the host country. The purpose of the Foreign Service or the Diplomatic Service is to represent your country but also to reflect properly the views of the host country. Unless you understand what the host country's needs and desires are, and explain this effectively to the home base, you are not going to get anywhere at all. Especially in negotiating with the British, the people we negotiated were very highly educated, highly placed senior

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officials in the British Foreign Service or colonial group who lived in Hong Kong. They obviously had a very strong interest in doing right by Hong Kong. It was a wonderful example of how to negotiate an agreement through building confidences. We did some very interesting things. For example, if we had a big delegation from Washington, we had them. The delegations always included the top people from Commerce, the economic side of the State Department, Treasury, Agriculture, and Labor. Labor had a big voice in this because of the employment impact and market disruption. Frequently, we had very long sessions among ourselves, first before we would say sit down with the British to see how we would come out. But, there were one or two instances where things were really heated. It became necessary for the State Department and the Consulate General i.e., yours truly, to talk to the British privately and to the Hong Kong people privately and to say well, we can go this far. These agreements are extremely complex, and I would have to go back to the files myself to find out the different formulae we used. That is not the important point. The important point here is that you have to build confidences and you have to invite these people, and we did. I had the Assistant Secretary for Commerce or whatever you want to call him to my house for supper. We tried every way to be as pleasant and friendly with them. But there were times when we had to go backstage, so to speak, and say now when you come out on the stage we've got all these other protectionist zealots, especially the Commerce people. Of, course, Commerce was always very strong in getting the tightest kind of agreement we could get. We even went as far as to suggest at which certain shipment levels we would come out, what you might call a pre agreement, a quiet pre agreement. That meant you hammered out in the large negotiation. That helped a great deal in working out final solutions. I'm quite sure that this kind of thing has been replicated many times in important negotiations on disarmament, on weapons. The famous walk in the woods for example.

Q: It was a time when over nuclear disarmament where the two principal negotiators, Soviet and American, sort of went off and chatted by themselves rather than in a formal situation,

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BARDACH: Fortunately I still remember my good friends, Ronnie Holms, Director of Commerce, and the Deputy Financial Secretary, Philip Haden Cave. These were all people you could talk with. I still remember I too still had some walk in the woods except this was more like a ride on the Star Ferry going across from one side to Kowloon where we could talk privately. I could tell them I think we can go this far but no further. They could say we can go this far but no further and work things out that way. It was a fascinating time, very gratifying. This is not to say that I'm 100% in favor of this kind of a situation. But from a purely economic viewpoint, I think the textile arrangements we worked out were, under the circumstances, given the great political pressures at home and given the enormous needs of the developing countries in Southeast Asia, East Asia, and Northeast Asia as well, Japan, Korea etc., it was important for the development of that area that the great economic growth was initially stimulated after the war in the textile industry.

Q: It is more labor intensive; it is not as highly technical as later became in the electronics field and all that, which is where things have moved since then.

BARDACH: Somebody who listens to this is going to say, well, why was it helpful; how was it helpful? After all, it was intended to restrict the shipments. As I said earlier, it restricted the growth; it did not cut off the shipments. It slowed down the growth and kept our market open. Very importantly, it gave the Hong Kong Government what you might say a hunting license. The quotas were in effect a hunting license. They knew ahead of time; there was a certain amount of certainty that was built into this. We could say cotton blouses, for the next year you could ship so many hundred thousand or million cotton blouses. They were in a position to know how to allocate their shipping licenses to different manufacturers that were making it. Obviously for them that created internal problems too. Some companies would come in and say Mr. Lee shipped so many last year and I shipped so many more. Well, but Mr. Fung... this sort of thing. There was a certain amount of internal bargaining, and also a little difficult to what you might call the market. Companies who were coming in, who didn't have any quotas, had a little bit of an uphill battle to get

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into the act. But, I would say for that period of time and for some years after I left Hong Kong in the late '60s, these arrangements were justified and worked reasonably well. The proof of the pudding is in the eating. Hong Kong did not go broke. In fact, it became richer and richer.

Q: You mention the Lancaster Agreements. The UK took care of its own. What about countries such as France and Germany; did they piggyback on what we were doing more or less?

BARDACH: More or less, yes. I can't cite precise figures, but I would say some of these countries were much stricter because they control the inflow at the point of entry. The French for example, even still today I believe, have strict import surveillance of textiles coming from abroad. The Italians had it. The Swiss, also a manufacturer, had their own controls. They had some negotiations. But, let's face it, we are the big market, the United States. We are the big market for lots of things.

Q: Did you ever tell them hey why don't you try down in Mexico, because that would be undercutting our export market?

BARDACH: Oh, do you mean did they come to us and we say why don't you do it to some of the others.

Q: No, I was thinking more would we be watching and all of a sudden the Argentine market was getting flooded with Hong Kong things where we had been selling pajamas and things. Was that a problem there or how did we work with that? In other words we would find ourselves in competition in the overseas market, not just our internal market. Did we find, for example, an outfit in Spartanburg, South Carolina had a strong market in Argentina, and then all of a sudden a Hong Kong outfit would come in and undercut them? Was this a problem?

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BARDACH: Yeah, I see what you mean, out of country shipments. There was really not much you could do about that. I mean we tried to get as many people into the international textile agreement as possible. In fact, it was part of GATT. Theoretically every GATT member was covered by the arrangement. But some of them, I don't know that every country became a signatory, but in the case of a North Carolina mill that had been shipping things to Argentina, which is the example you gave, and they find that all of a sudden the Hong Kong people are kind of disrupting that kind of a trade, there was not a hell of a lot you could do. You could raise it. If we felt that this was sufficiently serious, we could raise it in the GATT forum in Geneva. It would become a GATT complaint, but direct action, there was very little you could do. Our focus was primarily the United States. There again, you raise the question of the Foreign Service. You always have to keep in mind that in any kind of issue, even economic ones, the US interest became the primary one; that's the way we worked it.

Q: What about, another field, when you are dealing with the Chinese and thinking about the mainland Chinese today and Taiwan at other times. I'm not sure about Hong Kong. What about what was called intellectual property? This is books, records, things of this nature. Was this a problem?

BARDACH: Not at that time. CD's weren't even in existence.

Q: We are talking about LP's and cassettes. Long playing records.

BARDACH: There was in a very minor way. There were probably some back street shops that were making tapes and records and selling them. It was nothing on a major scale; that was not a major issue. No, the intellectual property side of things really became an issue later on. There was, now it comes back to me, a problem with Taiwan. You may remember the Taiwanese were printing, duplicating a lot of dictionaries and medical books. We were watching that marginally in Hong Kong because sometimes some of these shipments would go through Hong Kong. To the extent that something is trans shipped, you have

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relatively little control. Our main political and economic targets and concentration were with Taiwan and Hong Kong, and to a lesser extent with Singapore. China was a forgotten land; not a forgotten land, but off limits. I still remember very vividly making occasional trips over to Macao. Automatically several of us were assigned to Macao, although we had no consulate there, but we would go over there just for the hell of it and talk to a few people. Macao is not even as large as large as the campus here. You could walk across it, and it was a very sobering experience to walk 20 minutes or a half hour to the border on the mainland and to see this big red star and a big gate and a huge kind of a wall, and these menacing looking mainland Chinese soldiers standing there. Then you realize there is something big behind there, and you can't get to it. Of course, in the early years, anything that came from China, any Chinese origin merchandise, was absolutely forbidden. The American policy was that we would not allow any Chinese merchandise in this country. Just like in the case of our sanctions with Cuba today. As far as I know, we can't buy anything that is of Cuban origin including Cuban cigars. So, we had to devise a system known as comprehensive certificates of origin. The public doesn't realize that the Foreign Service has to involve itself not only with consular invoices and visas and that, but also in the matter of trade. It is very important that we devise systems that can keep trade open. Hong Kong was, after all, not only in the textile field but small consumer items and all kinds of stuff. It was shipping a great many things to the outside world. Uncle Sam said we have to be absolutely sure that especially on things like Chinese type furniture, beautiful furniture made in Hong Kong, that these are not of Chinese origin because things did tend to slip through here and there. So, the Hong Kong Government agreed to issue not just a certificate of origin. Other countries, by the way, live with a simple certificate of origin. We wanted a comprehensive certificate of origin which gave precisely all the details of the manufacturer and when it was shipped. It was a very comprehensive thing that was required. The famous CCO. In fact, just to show again the size of the American Consulate and the agencies represented there, the Treasury had a Treasury Attach# whose job was to monitor the issuance of the comprehensive certificates of origin. This was a bit of red tape, but there again, it provided a certain amount of insurance to the Hong Kong exporter

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that he was not going to run into problems when the merchandise arrived in the United States. Again, it was kind of like a hunting license, it was a necessary adjunct to the trade. People tended to make fun of this because even the tourists who came in and bought all kinds of stuff, Chinese statues, Chinese lamps, and jade, it was all Hong Kong. The jade, for example, didn't come from China. It usually came from Burma or something like that. If they had a fair amount of stuff, they had to arm themselves with the CCO so the guy in Los Angeles or Seattle wouldn't fall all over them. The Foreign Service has to abide by certain of our own domestic rules, when somebody was transferred back home, and all his personal belongings were picked up, there had to be some arrangements made to have somebody take a look at it and make out a CCO to make sure that the stuff wouldn't be held up. There was a situation to show how these things can play into international relations. Everything can play into international relations. When I got there, the new hotels were just beginning. There were very few luxury hotels compared to today. It probably has as many luxury hotels as any city in the world. But, at that time, there were very few, and right below our Consulate General on Garden Road, a Texas company and a local, Hong Kong company built a beautiful big hotel; they called it the Hong Kong Hotel. It had a kind of a rocky start. One of the mistakes they made was they built a bar downstairs, and they called it the Opium Bar. The British didn't mince any words about that. Of course, the let us know too at the Consulate that they did not think it was a very good idea to designate this as the Opium Bar. After about a year, this thing was financially a little rocky, so these Texas people began to look around to see if they could unload this place on somebody else. It was just made to order for the Hilton people, the Hilton International. To make a long story short, it became the Hong Kong Hilton. They did a lot of things to it; they made improvements; they upgraded the rooms. It became a very fine hotel which I regret to say I've learned recently that it is being pulled down. It has been there since 1960 or 1961. Again a mistake was made. They brought in a lot of beautiful, Chinese style carved furniture for the rooms. Our Treasury Attach# with his own kind of independent fiat, took a look at this and decided that these things might very well have been purchased on the mainland. This again caused a bit of a fuss between us and the Hong Kong people. They

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said this is right here and it is staying here. We said, No it is an American hotel blah blah back and forth. Finally the long and the short of it, these people somehow or other had to come up with a Comprehensive Certificate of Origin to please our treasury. End of story.

Q: Did corruption play a problem in your point of view in Hong Kong?

BARDACH: I think it was minimal. Anyone who had dealt with the British knows that they are generally speaking pretty upstanding and won't allow themselves to get into this. The Chinese themselves, I feel there was less of a need for corruption because they were occupied. There was relatively little unemployment. There was little opportunity to have kind of a social payoff, the sort of tertiary level of services and payments. There was relatively little need for that. Also, it did not in terms of attracting Americans to set up shop there, that was never a consideration, or holdup, whereas this is a problem or was in other countries. Corruption did not play a major role there in Hong Kong.

Q: You had the Hong Kong section. Were you ever used by the China watching people as sort of an economic expert to look at what was happening in China during the cultural revolutionary period?

BARDACH: Yes, occasionally on a very informal basis. The principal economic guru was a good friend of mine, that was for the mainland of China, none other than Bill Gleysteen. There were the Gleysteen brothers, Dirk and William Gleysteen. I think he was Ambassador [to Korea].

Q: Were you seeing any impact of the cultural revolution which was really destroying China, other than refugees. Were you getting any waves from China from this in your perspective?

BARDACH: Yes. I think the main manifestation was the horrendous problem of more people coming in. That, of course, created more pressure on the Hong Kong Government to find more employment, and we would hear about that. The Hong Kong business people,

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and it is a difficult thing to envision unless you were there yourself, were so occupied with managing the colony. By the way there were military people there too; there were military garrisons there. In keeping things on an even keel, we rarely discussed the mainland situation except how it impacted in terms of the refugees. Also, one of the important things for Hong Kong, they had a lot of problems with typhoons. Typhoon Wanda hit the colony in August, '62 or July, '62. We had been in a hotel for awhile; housing was scarce. It was always a problem because it was scarce and rents tended to be high. We went into a new high rise building right up on one of the peak mountains up there. We had barely been in that apartment two or three weeks when Typhoon Wanda hit. It was one of the worst typhoons to ever hit the colony. We were right in the way of this typhoon; the winds went up to 225 miles per hour, tremendous. It created very serious problems for Hong Kong because there were tidal waves. Typhoons are usually accompanied by tidal waves. They went into the areas where the squatters were, where the refugees were. It also created serious landslides. As far as I and my family are concerned, I think it is worth mentioning here lest people think that Foreign Service life is nothing but striped pants and going to cocktail parties and things of that nature; we were very seriously hit. We were exposed and we had to crawl into the inside hallway after awhile. Initially, when it first came, we were told to lie down under our beds. It was very serious because the windows were all blown out. Structurally the building remained intact. But, it was not well built so all the windows went and the winds came in. We found ourselves in a situation; I was holding down my then little boy, and my wife had our daughter. From under the bed we were watching while all of our things were merrily flowing through the air, my records, books. Whatever could get through that window, it was a big picture window. If you could imagine a place with a gorgeous view, a big picture window and all this stuff was being done. It was so serious that when the Governor of Hong Kong made the rounds, he stopped at that particular building. We were evacuated with the help of several of our colleagues. John Negroponte was one. John came up with some other guys to kind of pull us out of this thing, and we were put into a lower line house that belonged to one of the officers who was on home leave, luckily. So, we had a place to go. Of course, the idea of going back

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to that same building and that same apartment was quite ridiculous, so we started looking around for a lower line place out in Stanley. We found an apartment in a relatively smaller apartment house so it seemed like it was a private home with a garden front etc. To do a job in circumstances where you also had to concern yourself about relocating your family; a lot of stuff was damaged. Oh yes, some of our furniture, where were they going to put the furniture? They put them in the Consulate General garage. They just moved the stuff in there. Eventually they were given to some furniture refinisher or some such thing so they could get it refinished. That was very disruptive, and it shows that Foreign Service life is not always a picnic. You are exposed to all sorts of things, terrorism. You are exposed to natural happenings such as this. This was an important one because I do feel that my son had a bit of a shock reaction which stayed with him for a number of years, but I think he sort of gradually worked himself out of it.

Q: What about the impact of the Vietnam War because this was the period when we started building this up on Hong Kong?

BARDACH: Very definitely, that also struck home. There were movements of people to and from Vietnam who came through Hong Kong. There was the time, I believe it was in 1964 or was it '65, when we blew the whistle on families. There was a period when it started to get hot. I don't know what the year was.

Q: It was around '64 or '65 when we started our big troop buildup.

BARDACH: They devised a system of bringing families back to Hong Kong, putting them up in Hong Kong so they wouldn't be so far away from their spouses, and I believe that system stayed in place for some time, though eventually I think it was found that it was easier and cheaper just to bring people back to the United States. We played host to a number of families who came to Hong Kong on a temporary basis, so we heard a great deal about Vietnam. Of course, there was all the cable traffic. Marshall Green was keenly interested in the whole question of the buildup. Here again is an example of how Foreign

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Service work is not always a bi lateral kind of thing, of how everything is tied together. Many of the CODELs and many of the people who came through wanted to be briefed on Vietnam, so the political people had the job of doing that and of giving assessments of what Chinese intentions were. How did the Chinese react to all of this? I participated in some of those briefings because people wanted to know what was Hong Kong doing etc. I remember very vividly visits of the Joint Chiefs of Staff who came out. There was the famous one of the period; I can't think of his name right now. It was an Admiral. He was very keen on finding out what the Consul General thought of potential Chinese intentions, or how they would react as we built up our own forces. Those assessments, of course, were very significant. I think that the general view that was put forth by our China watchers was that on the whole the Chinese would not necessarily move in there. They had significant internal problems of their own with the cultural revolution and also with their not always too friendly relationships with North Vietnam. I think that these assessments were terribly important. They tended to give us a feeling of confidence that we could continue to try to solve, for better or for worse, the situation in Vietnam by building up our military without having to be too concerned by China. This was certainly a very important part of our briefing sessions while I was there. The third aspect about Vietnam that I personally became quite involved in was the so called commercial import program in Vietnam. We had through our AID a commercial import program, millions and millions of dollars. Simply stated, it gave a certain amount of money which enabled the Vietnamese to import certain essential commodities. It was a commercial program, but it was essentially paid for by Uncle Sam, and we tried to keep it in commercial channels. Well, like in all such instances, these things are fraught with hanky panky. There were a couple of people, AID inspectors, that came out to Hong Kong regularly. They made Hong Kong their base because they could investigate more comfortably from Hong Kong than Vietnam itself. My unit was asked to give them support and help them as best we could. As a result of this, I was asked to go to Saigon twice. So I did get to Saigon to consult with the people in AID and the Embassy, mostly AID, who were in charge of this program. Hong Kong was only very marginally involved. There were some Hong Kong companies that helped provide

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some of these commodities, but it was never really proven that there was any degree of hanky panky or corruption or things like that in Hong Kong itself. The problem was in Vietnam, of course.

Q: What was your impression of Saigon and the economy and what was being done there at that time?

BARDACH: It was very confusing. Saigon itself, I never got out of Saigon, seemed very much alive and buoyant. You could go and buy a decent meal. My impression was that it was the kind of situation that certainly lends itself to fraud and hanky panky. Especially they even had to shut down that program because it was just too unsavory, and it would have made it more difficult for the administration to make their presentation on the hill for Congressional funding for all the things we were doing in Vietnam. Q: Why don't we stop maybe at this point unless there is something else you want to cover on Hong Kong.

BARDACH: No. There is not much to be said about Macao. Macao, although still at that time Portuguese nominally, was very much under the thumb of the mainland Chinese, and other than the gambling casino, Macao didn't contribute very much to anything.

Q: So we'll leave this in 1966. Where did you go?

BARDACH: In 1966 I went on a brief TDY. It was supposed to be an assignment but it turned out to be a TDY to Seoul, Korea, and from there to the Korean desk in the Department of State.

Q: Why don't we pick it up at that point.

BARDACH: Korea is next.

Q: Okay, you wanted to say something about Hong Kong that we didn't cover before.

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BARDACH: Yes. I think it is particularly relevant today, kind of a postscript to my time there in the early '60s. It is relevant today because we are only a year away now from the time when Hong Kong will revert to become a part of China. That is, during my time, this whole question of what will happen on July 1, 1977 was brought to us very frequently by visiting officials from the U.S. Government, by businessmen planning to invest in Hong Kong, and by the many Congressional Delegations that passed through. Frequently we would have British officials from the Hong Kong Government with us to help brief them etc. and then this inevitable question of what will happen. It was very interesting. The British, at least at that time it was more than 30 years away from this magic date next year, took a very nonchalant attitude about it. I think that was quite the correct attitude. They sort of raised their hands and said how do we know what is going to happen 30 or 35 years from now. How do we know how the situation itself is going to evolve on the mainland? Remember, at that time we were in the grips of the cultural revolution and all the very negative things that Mao had stimulated, so there was no real effort on the part of the British or on our part to make any kind of predictions. The tendency was kind of to not sweep it away but play it down and say don't worry about it. For the time being, Hong Kong is a growing capitalist area, and that will stay that way. Of course, it has stayed that way, and I think this is even relevant today because under the promises the Chinese Government has made, I think they plan to keep Hong Kong more or less the same when they do take over. But it was interesting how little concern. It seemed to be something that was very far away.

Q: Of course China was evolving rapidly, in those days in a very negative way. Today it is not as bad.

BARDACH: That's right. That is a very important factor. It always has been a function of what is on the mainland, but now you have the additional very important factor that the Chinese really benefit from this nice, big training and banking and financial center and shipping center.

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Q: All right. Henry, you left Hong Kong when?

BARDACH: I left Hong Kong in the summer of 1966 and returned to the Department first having spent I think it was something like a couple of months on TDY, as I mentioned, in Korea. This was in preparation of my going into the Korean office, that is the Korean Desk in the State Department for the position of the number two man in what was basically a three or four man office. The number two, the Deputy Country Director was also the economic man, and they had not had a person in that job for half a year. People had approached me already, the EA front office had approached me, would I be interested. I said yes I would be, but, of course, I hadn't served in Korea. So, with the help of Ambassador Wilfred Brown, who was then the Ambassador there, It was arranged that I would spend some time at the mission and get a thorough briefing of all the fundamental issues.

Q: When you got your briefing, we are talking about 1966. What was the state of Korea both as you saw it the economy and the political situation?

BARDACH: To take the political, military situation. It was as it had been and still today continues to be a rather tense volatile situation with very clearly strong feelings on both sides, North and South Korea about the state of affairs. It was a very tense situation in the so called DMZ, the Demilitarized Zone, which still figures today. Basically it is a zone that had been set up by the armistice under UN auspices and "UN forces" remained in Korea as they still do today, but they are essentially American forces. The American commanding general was and still is today considered as a UN commander, but traditionally he has always been an American. In fact, I'm not even sure whether there are any foreign troops, there may be some foreign observers.

Q: They have some at the headquarters, but it is not much.

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BARDACH: It is not much. It was very much a US show, and that was immediately apparent to me as I went there. I traveled around; I went up to the DMZ and had a briefing there. The tension when you go through this no man's zone or the Freedom Bridge into the actual Panmunjom area which is where the two sides' military officers, North Korea and the US commanding general meet periodically. There was still a lot of tension there, and you could see that yes an armistice, but certainly a very uneasy armistice. That is one impression. On the political side, it was quite clear that it was, of course, a developing democracy, but still an autocratic democracy with the people in power, at that time, President Park, very much in charge. He was a former general. He, of course, had taken over. there was this coup some years earlier, and he had taken full command. There was no question about that; it was a disciplined society. Not a communist society by any means, but a very disciplined society with a disciplined parliament in many ways. There were opposition leaders at that time already. President Park was very definitely in charge. The third factor, and that was a very big plus factor, was that Korea had taken off economically. That was very quickly apparent. We, of course, had a very massive economic aid program, a substantial one since the end of the war. There were other international programs in Korea, but we were the important one. The AID mission somewhat dwarfed the Embassy because the AID mission in typical fashion was a big bureaucracy with lots of people and a Director and a Deputy Director who felt they had a very important role to play. We also had a military assistance program which was run by a couple of generals, but they were all under the command of the UN general, the commander in chief who was obviously in that role a very powerful person. One of the first things I learned from being there and making my calls to various parts of the mission: AID, military, military assistance and all that was it was very apparent that there was a somewhat uneasy balance in the relationship between the four star UN general, at that time General Bodensteel, famous for his patch over his eye like Moshe Dayan, who was like most generals in that particular position, very self confident in his own judgments and his own role. You sometimes wonder actually in retrospect because there is a certain parallel between that and Westmoreland in Vietnam who was also a power and law unto

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himself. I sometimes wonder if these people ever fully, partially yes but fully, accepted the fact that the American Ambassador was really the chief. That was a good lesson for me and an interesting lesson to accept not only the bureaucratic difficulties in Seoul itself among all the various mission components, but also the job I faced that was ahead of me at the Korean desk where as economic officer and also officer in charge of monitoring the whole military assistance panoply because it was all part of the same big package for Korea. There would be many bureaucratic hurdles. That was a major challenge, and interspersed with that particularly in the case of Korea in this period there were the many crises situations and frequent periods of time when the country director was called way for special missions which meant then that I was the country director. That was a challenging and interesting experience. The country director even during the first year I was there went off with Vice President Humphrey. He went off for several weeks; then he was assigned for a couple of months to the UN General Assembly to advise there, which then of course, left me holding the big bag in the bureau. The importance of Korea in the United Nations, there were always efforts by some countries to bring the North Koreans to the UN and have a vote on this whole armistice thing, which is something we fended off quite vigorously.

Q: Returning to the time you were observing in Korea in '66, you say the economy was taking off. What was your impression of how the Koreans at that time were grasping things? Were there any problems such as lack of training, knowledge, attitude, corruption? How did you see the economic situation?

BARDACH: On the whole overall, I would say very favorably because the Koreans somewhat like the Japanese are a very disciplined, capable, ambitious society. There were obviously areas in technology, science where there were weak spots or lack of training. All this was taken care of very well through our AID programs. For example, we helped them set up a Korean scientific institute, a major undertaking in which AID involved the Patel Institute. Patel is a famous research institute in Columbus, Ohio. I recall even going over there for several days with some Koreans when they came to the

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States to visit the Patel people. I think the Koreans really learned how to lift themselves up by their own bootstraps with what was substantial assistance or even massive local currency assistance through the PL 480. Now PL 480 in those years was a very important segment of American foreign policy. The PL 480 was all over the place because it helped us finance in addition to providing foods and this sort of thing, it helped generate local currency for educational projects, for training projects and what have you, and where you had a combination of all of these things on a very large scale in Korea, there was an underpinning and I believe this gave the Koreans a lot of encouragement. There was a problem, and I'll get into this a little bit more after awhile. There was a problem that the Koreans always considered themselves a client state of the United States. They always felt there was a special relationship. This came through in all my conversations as in you should do more of this or that. In other words, their appetite was pretty bottomless. Anything they could legitimately get under our various programs, they were most eager. You had a question about efficiency and implementation and corruption. Again, I think the Koreans deserve very high marks, with their trade going up rapidly. I remember during my period there was an enormous increase in exports. Just within two or three years it jumped up enormously. I don't remember the exact figures. There was an annual increase in exports of at least 10% or more. It prompted Walt Rostow who was at the White House when he went out there to say, "My gosh, these Koreans have reached the take off point." That's where this phrase came into our vocabulary, the take off point. That was basically true. Now, later on, we tended to scale down some of these programs. With a strong economy there's less justification for the economic programs and more justification perhaps for the military programs. There were problems to be sure because the Koreans had pretty much depended on us so much and felt all they had to do was come in and ask, and things would flow. There were a lot of problems with PL 480, and it's always difficult to know what goes on behind the scenes as far as corruption is concerned. There were certainly, no question about it, there must have been some hanky panky emanating from the private sector who wanted to get a good share of whatever PL 480 we could supply. That's pretty much a big story by itself. It did not in any way impinge on our

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fundamental relations with the Koreans. Later on toward the end of my stay in '69 '70, it created problems with Congressional investigations of some PL 480 things and corruption and things of that kind.

Q: What about the role of our AID mission? You say it was very large. This is not the first time you were up against AID was it?

BARDACH: No. AID was always very much in my working kit because when I started in the East Asia Bureau, the whole AID thing was beginning.

Q: Here was also a success story but a huge AID in a full flow, a huge bureaucracy. What was your impression of its effectiveness and of the AID mission at that time?

BARDACH: I think on the whole, the AID mission was very effective. They had some very bright economic people in charge, certainly at the top they were very good. Now, going further down into the ranks, there was always a tendency to try to expand their personnel, to build little empires. There was always an element in that, and that certainly was the case in Korea. I think that the AID people were always reluctant to accept the fact that at some point they would have to scale down what they were doing for the simple reason that there was less justification for it since the Korean success. That created problems, problems in philosophy, problems in policy, and the Ambassadors, there were two during that period. There was Winthrop Brown, very efficient, very strong. The other one was William Porter who later on became Undersecretary of State. They, especially Ambassador Porter, felt very strongly that he had to have a mechanism to somehow or other try and control the behemoth which was the AID mission. The AID mission was in the building next to the Embassy, and it was at least as large a building. They were twin buildings. They were very fully staffed. Ambassador Porter felt very strongly that it would be easier to operate a joint mission putting the whole AID operation under the senior economic counselor. Well, there was no senior economic counselor, and the AID Chief who was a very senior man did not like the idea of being placed under the control of the

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Embassy. Eventually Porter did succeed. We managed to get a neither AID nor State person to become head of the AID mission. He was a Treasury man; that was a new twist too who was actually very good. He was an excellent man, and he was appointed both AID Director and Economic Counselor. We in State had objections to that. I was very much involved in all this back and forth. After I had been at the desk for about two years, I was approached by the Ambassador. He asked if I would be willing to come out and be the "Senior Economic Officer" working under the aegis of the newly appointed AID Director. For a number of reasons that did not appeal to me because I felt if anything I would prefer to have it the other way around. If I was going to be the chief economic man, I didn't want to be under the thumbs of two or three other AID functionaries. I did not feel that would particularly enhance my career. The other reason, of course, was that we had just been back for two years. We didn't want to go off again. The children were in school and settled in after many years overseas, so I decided just to turn that down. There is no question about it, the AID mission was very big, bureaucratic. They had a nice thing going there in Korea, and they deserve credit for what they did, especially early on. For example, even before I was involved with Korea, there were commercial import programs. There were programs to help stimulate small business, things of that nature. There again I think in contrast to some of the Southeast Asian and South Asian countries where people are simply different. As we all know, in warmer tropical climates, people don't respond as energetically as they do in North Asia. The Koreans certainly fall in that category; I mean they took something and they ran with it.

Q: What about still on the economic side, we are looking at this initial glimpse, the role of Park Chung Hee in the economic sphere of development because although he came out as a general, he was not at all the typical general particularly when you get to economics.

BARDACH: Well, I think he was smart enough to know that he should rely on some of his senior officials like, for example, the Deputy Prime Minister to pull things together and to coordinate all the economic policies. Therefore, he made the Deputy Prime Minister, whose name also is Park, the coordinator of all sorts of economic issues, sort of a super

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minister who was above all the ministries and served as liaison between the Korean Government. I don't recall any particular instances of where he had his own very fixed or strong opinions. I'm sure he did. He was advised on things. He was basically a political military person. Once he saw that the country was moving well, he was loath to do things to steer it away from its path. His great concerns were the North Koreans and North Korean behavior, and the big issue of sending troops down to Vietnam. We twisted their arms, and I was involved in that too, of course. Those were the things that were of great interest to President Park. Let me just give a little anecdotal glimpse of the man. It really in terms of the sequence here should come somewhat later, but I think it is relevant to what you asked about. I believe it was in the year '69 that we developed an idea of long distance deployment from the US to Korea. The reason for that was that the Koreans were always anxious. They were disturbed about the fact that we had pulled out one of our divisions. We were bringing a lot of pressure on them to send more troops down to Vietnam and that sort of thing. They were looking for a demonstration how would we help them; how would we stand by their defense vis a vis the North Koreans? So, we, meaning the Pentagon and State, cooked up this idea that if you could demonstrate in a joint maneuver with the Koreans that we could bring forces across into Korea non stop, that we could drop them there very effectively, this would help. I had a hand in this actually because of my experience in the Second World War with airborne. When they came to us, we sat down together and I said well it's something. It may not actually work in practice, but let's try it. The Koreans seized upon this with great enthusiasm. Aha! We are going to have a joint maneuver and everybody will watch these American paratroopers and Korean paratroopers jump jointly down there together. It will be a demonstration of strength. To make a long story short, this thing was scheduled involving my old alma mater from the Second World War, the 82nd Airborne. The Pentagon boys over at the ISA had found out that I was an 82nd Airborne graduate. When it was all set, they came to us and said we invite you; you've got to come along. Of course, I wasn't about to jump or anything like this. They said we'll have a lot of cargo planes and there will be room. Anyway, I went out to Fort Bragg, North Carolina, was treated like a king, the State Department man who

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had been in the Airborne. We participated in the briefing. It was a lot of fun. Then at the last moment, it was decided that perhaps it was a little bit risky. These were non combat experienced paratroopers, to fly all the way from Fort Bragg into Korea without some stop. So, they decided what they would do is to fly into a Korean airbase. Then for the day of the maneuver and the great thing out in the field with the grandstands, they would take off again and drop the paratroopers. But, at any rate, it demonstrated that within 14 15 hours perhaps even less if we refueled in California, you could fly across there and bring in a substantial amount of American equipment and troops quite rapidly. On the day, of course, I had been with Ambassador Porter. We were sitting in the grandstand to watch all this demonstration. Then, of course, there was the inevitable field picnic reception. Now you get that for a diplomatic experience with all the officials there. It was all laid out in tents. The Ambassador said, we were talking and doing all sorts of things. He said, Henry, we were in the VIP tent, Henry, come on over; I want you to meet the President. President Park, of course, was sporting his field uniform like a real military fellow. I just had a blazer on or something like a striped pants diplomat. Porter said, Mr. President, I'd like you to meet the State Department representative on this exercise, Mr. Bardach from the Korean desk who is fully familiar with everything that has been planned. In fact, he planned this thing. Park took my hand and pulled me over and said, now tell me, what is a State Department man doing in a military situation? Right there is part of the response to your question. He was still a military man at heart and he couldn't quite figure out. He was partly kidding me too. What's a State Department diplomat doing here in this military exercise? We had a chat together. I told him that I had been in the Second World War and the State Department coordinates very effectively with all other agencies with what happens in Korea.

Q: Why don't we talk now, you were on the desk for how long?

BARDACH: '66 until '70. Four years. Through the summer of '70.

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Q: Why don't we talk about first off then there will be other things, about getting Korean troops into Vietnam. Right now in '66 our buildup had really gotten underway. The war was being Americanized rightly or wrongly. We were putting mainline troops in there and President Johnson had a policy of more flags in Vietnam. He wanted more countries involved. Could you talk about your role and what happened?

BARDACH: My role was to help monitor what they were doing, but also to liaison with the Pentagon on the military assistance side. The Koreans were shrewd enough to know then as they are now, that this is not something they were just simply going to do for nothing. They had to be compensated in some shape or form. My role was heavily in monitoring the assistance, in planning the assistance, and helping present the draft, what we called the Congressional presentations. In the usual presentation cycle the Assistant Administrator for Asia in AID which is the rank of Assistant Secretary, would testify with the Assistant Secretary of State for East Asia.

Q: Who was that?

BARDACH: At that time, William Bundy. There were a number of AID directors and people involved. In fact, one of our difficulties was the same in the Pentagon, there tended to be a fairly swift change in personnel. My role was definitely to monitor and to nudge, if you will, the various agencies to be as generous as possible in the various programs. That did involve a number of very difficult situations because at the same time also there was a move afoot. Mind you, the troops to Vietnam, they had already by the time I got to the desk, the Korean troops were sent earlier. Then, of course, we tried to get the Koreans to send more. You had an interesting set of circumstances because you had the combination of the feeling, especially strong in the White House, to get the Koreans to send more. At the same time the reluctant Pentagon the efforts to scale down our own troops in Korea itself. In fact we pulled out one division. So, you had those two things counterbalancing each other, plus the fact the economy had improved substantially. They were really in a much better financial state than they had ever been before. You had all these things

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playing into it plus the very obstinate and very nasty behavior of the North Koreans. We'll get to that in a minute. So, that was my involvement.

Q: What were you getting reports on the Korean troops. I mean how they performed in Vietnam during this time you were there. What was your...

BARDACH: They were good. They were very effective. I don't recall hearing any negative reports. There may have been some, but they were good, and they were there.

Q: Did you get involved in the compensation? Because, during the '69 '70 period, I was in Vietnam, and there was talk about the Korean troops arriving, and when they left, they left with a hell of a lot the equivalent of PX items except that as compensation. We were doing quite a bit to help put American goods in the hands of Koreans for whatever purpose.

BARDACH: Well I don't know any of the details of that, but there is no question about it, the Vietnam War spawned an enormous amount of subsidized items that were available not only to our own troops but also to Vietnamese. I mean there were many ways of shoring up an economy, and the PX system certainly contributed to that. After all it did do that too in the case of Germany. The Koreans, I have no doubt, they availed themselves of every opportunity to try either directly or through others, you know get me this or get me that.

Q: It was a highly systematic thing.

BARDACH: Wars are never satisfactory situations to begin with. This certainly was not a very orderly way of running a commercial import company.

Q: This is tape 5 side 1 with Henry Bardach. Henry, do you want to talk about the North Koreans during this time? Where they were at, how they were acting, and how that played on what we were up to.

BARDACH: Well, I think this was of course key because the North Koreans were definitely trying to unbalance the Republic of Korea, the South Koreans. Just exactly what their motivation was is perhaps not historically clear yet. We all know that Kim Il Sung was running a very tight ship and he wasn't about to cave in to any discussions at that time and rapprochement. In fact it was quite the reverse. The things we were watching daily from the desk were the incursions into the DMZ, incidents at the DMZ. I think North Korea wanted to maximize any irritants they could bring to bear on the DMZ to destabilize the Koreans, perhaps to lower the Koreans' morale. Of course, they didn't like the idea that South Korea had sent troops to Vietnam and all this kind of thing. It wasn't a war situation, but it certainly was a high state of volatility. It could have exploded at any time. Let me see if I can get this into some chronological order here. The North Korean aggressiveness continued to mount through the DMZ in 1967. In fact, the infiltrations, things of that nature, really created a tense security situation. So much so that there were a lot of people in State, not just at the desk but elsewhere, the Pentagon of course, that were coping with the idea how could we do about this. Not having diplomatic relations or some kind of relations with an enemy, if you will, doesn't help matters because you have no way to talk to them. The only way we could talk to them was the weekly or bi weekly meetings at the DMZ where they would lock themselves up in this little hut and talk, and these talks were with the Americans. We would give them a list and say you did this and you did that. They would of course, either deny it or try to wash it away. In late '67 we decided that it was time to really bring this to the attention of the Security Council at the UN because, after all, our presence there was under the UN umbrella. It was a UN situation much more so than, well, Vietnam was not a UN situation, but Korea was a UN situation. We came up with a list of these incursions for presentation to the Security Council. There were bureaucratic problems there which goes to show how nothing is ever smooth running. Just because State decides to do that, there are always elements even inside State. We had a problem with the IO, the United Nations bureau within State, because they were not as bullish as we were or the Pentagon was in getting such a list to the Security Council and to bring a complaint to the security council. They felt there were other fish to fry in the UN and they

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didn't think that would do too much good. That was one of my earlier experiences with the North Korean misbehavior. We did prevail. When the IO bureau said no, we are not going to do this, we went to higher levels. I remember being involved in this and getting that bureau to come along, and we did push that list through into the United Nations. It didn't do much good because the North Koreans continued with their various tactics. Then it really began to mount. In late January of '68, a real big crisis erupted because the North Koreans sent a raiding party into Seoul. Of course, their effort was to assassinate President Park.

Q: This is what was known as the Blue House Raid.

BARDACH: Quite correct, that was the Blue House Raid. That got everybody excited, and the Koreans themselves said, Oh, now you see, you can't let us down. You've got to continue to keep your troops there and don't take out any more. We had no intention to reduce the one division, but there were other things that they wanted. So, after that Blue House Raid, actually it was two days later if I remember correctly, that the Pueblo incident occurred. That, of course, was a major milestone.

Q: Could you explain what the Pueblo incident was?

BARDACH: The Pueblo was a ship operated by the intelligence community. It was operated by the Navy but it did have intelligence capabilities. The ship was sailing through Northeast Asian waters to pick up things, intercept messages and things of that nature. That ship according to the North Koreans crossed into North Korean waters. We denied this, and I think the navy had fairly reasonable evidence that it had not gone into North Korean waters, but the North Koreans spotted it and attacked it or surrounded it and brought the ship into North Korea including the crew of, I believe, 85 people. This, of course, created a great deal of tension not only between ourselves and the North Koreans but also between ourselves and the South Koreans because with all those things that were happening, our great concern was that this would trigger a reaction by the South Koreans.

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They certainly had the capability to start a military action against the North, but equally so the North Koreans had a capability to fight back. If that had happened, we would have been in a hell of a mess. The last thing that we wanted at that time with Vietnam already going was to have another major involvement on the Korean Peninsula, particularly under our treaty obligations with the South, we would have had to stand to their defense. That was the second one. Then in the spring of that year, something else happened in '68. Nixon had just come in.

Q: Well, Nixon wouldn't be in until January of '69.

BARDACH: That's right. It was in '69, shortly after he came in to office that a plane, one of our military observer planes, it had a designation, was shot down which again created a lot of tension. By that time, after about nine months of grueling negotiations with the North Koreans, at that time those negotiations had been completed. That didn't mean that the North was quieting down, not at all. So, that was a very tense period.

Q: Let's go back to the Pueblo time. What was your involvement in one, trying to keep the South from moving north, and two, the negotiations that got our crew returned.

BARDACH: Well, immediately after the Pueblo incident happened in late January, we moved on up into the OP [Operations] center which at that time was still a rather limited facility. It tended to get very crowded very quickly. We were given additional people, and for several weeks, we were working around the clock at the OP center. In fact, I spent many hours there. Right at the beginning there were a couple of bunk facilities up there. There were two or three nights when I didn't go home at all; I just stayed there and slept. Then we were officially formed into a task force. The nucleus of the Korean desk, the Country Director and three other people including myself...

Q: Who was the Country Director?

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BARDACH: At that point it was Benjamin Fleck. Then, for the period of the negotiations, they put in a more senior person, Jim Leonard, who later on became an Ambassador in the UN Geneva disarmament. Then there were other people who were assigned to help us. During that period in addition to trying to keep normal relationships going, we had this big thing with the Pueblo and the negotiations. That was our involvement, but there were things we needed to do. We had to hold the hands of the Koreans, and that was a major task. I think a correct decision was made to send an Ambassador at large, a troubleshooting person, none other than Cyrus Vance. He's done that so many times in his career. Cyrus Vance went out there. I still remember it very vividly. We were crashing out briefing papers for him on every conceivable subject involving Korea. He was successful. That was a successful mission in persuading President Park and the rest of the Korean hierarchy in just laying low and just letting us negotiate, which we did, of course, in Panmunjom. There were a series of meetings. That was very tough because the North Koreans dug their heels in. They elicited, as you may remember, confessions by the crew members of the Pueblo admitting that they had done the wrong thing and all this kind of business. Finally, as you know it was all resolved, and somewhat reluctantly, they let these people go. They had been incarcerated in North Korea for a period of eight to nine months. I was involved, yes.

Q: Did the Korean Desk include North Korea?

BARDACH: Yes, at that time it did.

Q: What information were you getting about North Korea?

BARDACH: There were people in INR who were working intelligence research. We were getting the normal kind of intelligence reports. I don't recall the usual kind of reporting on what they were doing economically or militarily. I don't recall anything extraordinary that helped us in terms of these negotiations. I think we were pretty much on our own there.

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Q: Was the feeling at the time that Communist China was behind Korea or was North Korea its own person?

BARDACH: No. I think the feeling was that the Chinese were certainly someone to reckon with, and that the Soviets were the ones more likely to put the brakes on the North Koreans rather than the Chinese. The Chinese are always in the background. The Chinese were encouraging the North, also I think the Chinese were giving some assistance. We did some reports on that sort of thing of course, China helping the North Koreans. When we were getting very close to an agreement with the North on releasing the crew, Dean Rusk himself, who was monitoring this very closely, felt strongly that we should get the Soviets involved to give it a final push. We had informed the Soviets through our Embassy of what was going on. I recall very vividly getting a phone call from the Secretary's office that he had drafted a cable, and he wanted us to take a look at it and clear it with the Soviet desk. It was late afternoon, and yours truly got this cable and I had to run it around. I guess by that time, Winthrop Brown was back in charge of East Asia. It was carefully drafted in typical Rusk fashion. It was a personal message to Foreign Minister Gromyko saying it was time to stop this and would they do the thing with the Koreans and tell them that it is best to finish this. Then I ran it around to, I can't remember the name. He later on became Ambassador, director of the Soviet desk. Obviously he wouldn't question the boss' decision to go to Gromyko on this. It is an interesting example of how diplomacy can work and how things behind the scenes, quiet diplomacy, is extremely useful. I think the general public doesn't understand all the different facets in resolving an issue, and this certainly demonstrates how these things can be done quietly.

Q: Did we offer anything to the North Koreans? They had our people, and they had our ship.

BARDACH: No we didn't offer them anything. That was quite clear. What could we have offered them? Something like a payoff? That was never in the picture at all. It was simply getting the boys out of there. They expected a confession from us which we immediately

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repudiated. They were told sign this but we are going to tell the press we really don't believe what we signed. It was a very convoluted kind of thing, but it worked. That is the main thing; it worked. I think Jim Leonard who was in charge of the task force deserves a lot of credit for cooking up this solution.

Q: Moving on back to the economy of Korea, I served there from '76 to '79, and we were told that the Koreans had made a very correct decision on the matter of agriculture to make sure that the farming community rose along with the rest. Normally what would happen in developing countries or something that the peasants would be told to produce so that you could have cheap rice, wheat grain what have you so the city would be happy, but the farmers wouldn't get the same relative compensation. This was a very good decision and a hard one that Park Chung Hee and his government did this. What was your impression of the agricultural situation at the time you were there?

BARDACH: My time was somewhat before that time, but my recollection is that the Koreans accepted our desire to keep a balance between the urban industrial developments and the agricultural developments. Some of the difficulties came in the kinds of programs that we were going to give them, because there was a lot of pressure from Agriculture and the Treasury to give them PL 480 on less concessional terms than what they had been receiving before because the economic situation had improved so. That meant that some of it had to be with soft credits which would eventually be repaid while some of it was with local currency payments that would be used for a particular AID program in Korea. Then there was the question of the type of rice because there were certain, I don't remember the details, there were certain types of rice they liked to eat, and some of our own rice they didn't care for so much. So, all of these things had to be juggled.

Q: Were there any problems with the Japan desk at all between the Korean desk and the Japan desk? As the Korean economy began to develop were the Japanese beginning to scream? Was this a problem or not?

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BARDACH: The Japanese always liked to keep an arm's length approach to their own relations with the Koreans. There were still very bitter feelings, animosities between the two. Also, I think the strains were a little more on the political side than on the economic side. For awhile, our Embassy in Japan always had a man or two that concentrated singularly on Korea. There were some bureaucratic problems there but nothing really of major proportions in terms of our economic relations. I think the Japanese, as they have of course demonstrated, felt pretty confident that they could hold their own. Of course, what's happened now bringing this up to the present is the Japanese are manufacturing a lot of things in subsidiaries in Korea because it is a little cheaper to do it; although, that is beginning to stop too.

Q: Are there any other aspects of this Korean time you want to talk about?

BARDACH: Yes, there are quite a few. Just to give you an example of the panoply of issues we had. Right early on, I was bounced into fishing disputes. One way to show how the Koreans began to flex their economic muscles, they made a decision, it was shortly after I came to the desk, that they were going to do salmon fishing in the Pacific. By the way, that brings in Japan because Japan already made arrangements to do salmon fishing in the Pacific, and of course, we have our very strong and local fishing interests. That was very involved. Again it shows how one particular aspect of life, namely fish, can create enormous international strains in negotiations. We decided to bring the head of Korean fisheries, General Oh, to this country and bring him around. I remember I was involved in this because I had to run him around to all the different offices and to the Department of the Interior to get him briefed on what some of the issues were. It was both salmon and halibut fishing. That was of interest to the Japanese and the Canadians too in addition.

Then one of the early aspects of our economic relations into that period after '66, was the Korean penchant for playing on, or to use the "special relationship with the United States". Of course, they were unhappy about potential reductions in military assistance. They were unhappy about some of the gradual reductions in economic aid. They saw the handwriting

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on the wall. They decided there was enough in the economic sphere to merit a cabinet level meeting with the United States just as we have it with the Japanese. There is always this certain rivalry. They came along and made representation in person, and they sent us notes to our Ambassador out there, why not have an annual meeting? Why can't we be just like the Japanese, after all we are in the same area? That is the last thing we needed. As it was, the Far East Bureau was overburdened with things in Vietnam and everything else. The last thing we needed was an annual cabinet level meeting. That means that every one of the key cabinet level departments, Commerce, Agriculture, Treasury, Labor, Interior, you name it, they all participate. The preparations for these things are horrendous. We had agreed with the Japanese for many reasons many years before that we would do this. We didn't want to cave in to the Koreans to do this. What to do? How could we satisfy this eagerness to meet? I came up with the idea. I had, of course, established good relations with my colleagues in the Commerce Department. I said, why don't we limit it to the Secretary of Commerce. We are greatly expanding our commercial relations. The Koreans are accelerating their things. We have issues like textiles and all of that stuff. They bit the bullet on that. They said okay if we can't have a cabinet, let's have an annual commercial ministers meeting. I think we still have these damn things. So this was orchestrated, very interesting, a lot of fun. A few months later we mounted this mission. I worked very closely with a Foreign Service Commercial Officer who was on assignment to the Commerce Department and with all the senior people in Commerce. We got full support in the State Department. Secretary Trowbridge of Commerce was a very good man. He subsequently became head of the National Association of Manufacturers. I accompanied him, his wife came along, on the first Commercial Ministers meeting to Korea. Well, you can imagine, the Koreans pulled out all the stops. This involved visits to factories, even going to Cheju Island, then going up to the DMZ. We flew in helicopters. Then we had substantive discussions about various things. This included willy nilly things like PL 480. Also one of the things that was really bugging them, and they weren't the only ones being bugged, were the textile quotas. Textile quotas played an important role even then under Johnson. It intensified under Nixon. We'll come to that in a later session.

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We had a negotiating session. Yung Yung Sey was the principal operator on the Korean side, very fluent in English, of course, a very nice guy. The Koreans were sitting on him, you know you've got to get something in the joint communiqu#. The drafting of the joint communiqu#, it was my first big experience in this kind of thing. The afternoon went by and we hadn't finished it yet, but the Koreans had organized a kind of a farewell function that evening in nothing else than a giisen house. For those who do not know what a giisen house is, a giisen house is something like a geisha house in Japan. It is an elegant, luxurious place for dinner and dancing if you wish and Korean music. You sit on the floor and every person has at least one or two Korean girls. I still remember, the Ambassador was there and, not President Park of course, but the principal economic deputy Prime Minister was there, and a great time was had. I was told it was the most expensive giisen house outside Korea. The question was we had to get this damn joint communiqu# ready because we had to leave sometime the next day and there were still things to be had. So, finally, Ambassador Porter leaned to me and said, Bardach, and there were a couple of people, Norman Glick, Bardach and you and Yung Yung Sey, there is a comfortable room next door. You go in there and see if you can't hammer this out. We went into this comfortable room next door which had no chairs in it, all carpets. So, you can picture us on the floor with our notebooks and the drafts trying to hammer this out. The last stumbling block was the textile quota business. They wanted very strong language on an increase. We told them it was politically unfeasible, especially the Commerce Department. This went on for the better part of the evening. I did get my dinner; we ate first or something. We kept running back and forth. Yung Yung Sey would run inside and talk to his ministers and show them where we were. I went over to Ambassador Porter and a couple of other guys and Trowbridge of course. Finally you can imagine at this very interesting party, we finally hammered this thing out. By about 11:30 in the evening, we had the joint communiqu#. This was all done as part of this very jolly function with all these lovely ladies around. It is an interesting facet of our relations with the Koreans because they did get us tied down to a regular annual Commercial Ministers meeting. We got this off to, I think, a pretty good start. Also it shows that many times the Foreign Service has been criticized for going

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to parties and having a good time. Many times at these functions important things are accomplished, and this is the name of the game. If we had said in this instance, Oh no we can't possibly go to this, accept this invitation for a nice dinner that evening in this giisen house, that would not have helped us at all. In fact probably the reverse would have happened. We would have frozen into a situation where there was absolutely no flexibility. This party helped. End of story.

There are other things that are worth mentioning. Even before this first mission which actually took place in '68, but in '67, you asked earlier what were we doing to try to pacify the Koreans about pulling out one division and all the harassment from the North etc. We were continuously looking for ways and means of doing some things to shift the AID program more into the private sector. That was already emerging in those days. The White house decided they wanted to send what they called a private trade and investment mission to Korea. Naturally, I got involved in this. We had sort of mixed feelings about that because we really weren't quite sure how this was going to be handled. They gave this job basically to AID. Talk about bureaucratic problems. Our concern was they were going to use this to their own advantage, in other words just to build another program or things that were in their particular realm. Former Undersecretary of State George Ball was asked to head this mission. Ball was very sympathetic to the economic concerns of the State Department. He always had been. He was an economic person and at that time, I think he had gone back to Wall Street or some such thing. They did go out there, but I think we were successful in keeping this from letting AID go wild with this in terms of new programming. That was a big plus. One of the things that happened was a special fund was set up. George Springsteen was in charge of it, kind of an adjunct to AID, a special fund that could be used to finance private investment to help private investment, something analogous to the World Bank's IFC, International Financial Corporation. That got started during that period. But, that was not just because of Korea. There was a beefing up of investment guarantee programs which helped. So, that was another aspect. When Nixon came in...

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Q: January of '69.

BARDACH: When Nixon came in the first thing he did with Henry Kissinger was to come up with these country assessment option papers. You may remember that. That was his big thing. He said I want that from everyone, and he had a whole list of key countries. Of course, Korea was one of them. So, we were tasked with this to come up with different options. Then what happened, the Koreans shot down this intelligence observer plane. It was a KC 130 or something. They shot this down. Having been through the Pueblo and all of that, he wasn't about to create something else, and he was very excited. I was involved in this because Alex Johnson who was Undersecretary requested that I be placed on a special task force to prepare some papers for the White House on that. It was very apparent that Richard Nixon was very macho, but when all is said and done what options are there except to drop a bomb on a place like that. In fact this kind of macho feeling in the relationship between State and the White House and the NSC, this sort of macho feeling permeated during that whole period because there was a relationship with Vietnam too. I remember very vividly, I believe it was the second night we were in the operations center upstairs very tense, second or third night on the Pueblo negotiations. That was all LBJ [President Lyndon Baines Johnson] needed in addition to his Vietnam headaches was a major problem in Korea. Sam Berger was the Deputy Assistant Secretary in the bureau at the time and he was put fully in charge of the early operations on that. Sure enough three or four days in...

Q: Which one are we talking about?

BARDACH: The Pueblo, which was in early '68. Then came the Tet offensive. You remember that; it came a few days after towards the end of January. This meant, of course, that there was again a Vietnam task force. Initially these Vietnam task forces would be formed, and then they would be disbanded. It would go back to what was already a very large Vietnam office in the Far East Bureau. You could feel it almost physically, the nervousness of the White House. I remember, I was on duty; it was very late, just before

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the Tet offensive, I think. I was sitting up in the OP center. I think I had the duty spot at the moment. The phone rang, and I picked up the phone. We had been trying in some early negotiations to see if some quick action could be taken on the Pueblo. I picked up the telephone, it was after midnight, "This is the President. Is Sam Berger there? I want to know what is going on." He knew of course, that Sam Berger was involved. I had to get ahold of Sam Berger right away. He may have been in the building, I'm not sure. There was the President himself on the telephone. "Is Sam Berger there?" That was the closest I ever got to the top. There was nobody else around. You could sense, then, when the Tet offensive came it got even worse, the tension. Then, with the macho Nixon, it was the same way. There was a continuous balancing act between State, the NSC, the White House, and of course, the Pentagon; although, the Pentagon tended to be a little more balanced and reasonable than some of the other agencies.

Q: How did the shooting down of this electronics plane flying on the periphery, how did that one work out?

BARDACH: My recollection is that we made a protest to the North Koreans at our regular meetings at Panmunjom. That was more or less it. We sent a warning to the North Koreans that we wouldn't tolerate any more things like that, but it kind of petered away.

Q: Then you were mentioning some other things.

BARDACH: Well, let me see, they are not all in chronological order.

Q: Well, why don't we stop at this point. We are leaving Korea. I'd like to put at the end, where did you go next?

BARDACH: I stayed in the bureau and I went to the front office as special assistant for economic affairs. There were several deputies. One deputy was first Bob Barnet and then Herman Barger. There was a position, in fact there were two positions, a senior special assistant for economic affairs. I was there from 1970 working pretty much for the entire

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period with Marshall Green as Assistant Secretary. That was a highly interesting period because I worked very closely with him too. Then, toward the end of that, we had an interim, Art Hummel became Assistant Secretary for a brief period of time. I was there with Art Hummel before I was transferred to Vienna where I became an economic and commercial counselor.

Q: We will pick it up then at this time as a special assistant for the Far East. This would be from '70 to what?

BARDACH: '73. That includes the very exciting period of the first Nixon, the Holdridge, Kissinger, Nixon trip to China and our initial slight modification of trade rules vis a vis China. Remember that this whole process with China started with releasing a little bit, easing up on a few things.

Q: Today is 25 October 1996. Henry, you said before you move on to the next phase, there are a couple of things on this Korean business that sort of came back to mind.

BARDACH: Yes, I have in mind the Pueblo negotiations which lasted a whole year. In reflecting over that period, I remember very vividly that it took an inordinately long time. In the beginning, we thought that by just simply making a request of having the 85 people who had manned the ship, that we could get them back just by simply asking for them back without making any particular comments or admissions. We were also naive enough to think we would get the ship back. Well, neither of the two things happened. In fact, the Pueblo capture, which occurred in the early part of January in 1968, the release of the prisoners who were in North Korea, of course, did not take place until practically one year later. We did manage to get them out finally by Christmas time. In the meantime there were some really rather spectacular diplomatic negotiating maneuvers which are perhaps in some respects without equal in our diplomatic history. The Koreans absolutely dug in to their position that we had to admit to the fact that we had not been in international waters

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but had been in North Korean territorial waters and that we had done a misdemeanor and that we were all wrong etc. Well, for awhile, our principal negotiator was the General in charge at Panmunjom at the DMZ where we had the regular meetings with North Korea. We still have them today, believe it or not, after all these years. He had been instructed that he could accept the document from the North Koreans that made all these statements about our guilt and that this had been a spy ship etc., but that he would simply override, that was the override maneuver, that document by saying, "I hereby acknowledge the receipt of 85 people who were on the Pueblo." Without actually signing the document per se. That was the override. The Koreans would not buy that; therefore, this thing just strung on and on until finally we came across the idea that what we should do is sign the document, but at the same time inform the North Koreans ahead of time that we would simultaneously with the release of these prisoners, we would repudiate the document. Fine, we've got them, but we repudiate the statements that have been made by the North Koreans. Actually this is what finally happened. It was a very unusual way of accomplishing the desired goal which was to get those guys out of there and get them home in time for Christmas. I just felt it is a very unusual chapter in our diplomatic history where in fact we admitted to something and then immediately turned around and said we don't really believe what we acknowledged.

Q: I think everybody understood. Those that didn't want to believe it. Henry, where are we now?

BARDACH: We are at the end of my tour on the Korean desk which was extended somewhat because of the Pueblo incident. I moved into the East Asia front office to become a special assistant for economic affairs to the Assistant Secretary who was Marshall Green for at least two years of my time there. I worked also with a Deputy Assistant Secretary who was my immediate supervisor, Herman Barger. That was a much broader atmosphere.

Q: This was from when to when?

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BARDACH: This was from '70 to '73.

Q: Could you describe Marshall Green and his view from your aspect particularly on the economic side?

BARDACH: Marshall Green was really in many ways one of the most astute and resourceful Foreign Service officers that I have met. He has a tremendous reputation among all his colleagues. Part of this stems from the fact that he had a hell of a lot of plain common sense, and he had a good sense of humor. Even under the most adverse situations he knew how to make a joke and laugh off things that other people might have found extremely unpleasant. You ask about the economic side; he had not had as much training because he was an old timer, as the general Foreign Service officer since then has had, but he had a very good feel for it. He had the good sense of leaving more complex economic issues to the specialists, the Deputy DAS, myself, and of course the desks themselves. This was a job that entailed many different aspects of our economic relations with East Asia. In particular there was the whole development assistance front. I did a lot of leg work for him in liaison with AID, with the World Bank, leg work in the sense of either pushing through certain things we wanted to have done or approved or the reverse, things we didn't want to go through or that we felt might be damaging. During that period, there was a great deal of pressure, as there always has been, but particularly in the Nixon regime, there was a great deal of pressure on the whole textile question. There was a lot of trouble shooting and inter agency negotiating to be done. I was very much involved in this for awhile. I remember very vividly that Marshall certainly did not want to... He had to, of course, like everybody else follow the trends of the times which was to try to get these countries to agree to a greater restrictions on their textile exports to the United States. The regional bureaus and to some extent even the EB bureau were not really trusted by the people in the White House, that is in the special trade negotiators office, STR, and also in the Commerce Department. They didn't really trust us to hit the countries as hard as they wanted us to. Now, who were the countries? The countries in

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question during this period, all of them emerging, heavy textile producers, were Thailand, Malaysia, Singapore. Indonesia was emerging not as much then, but they were starting in. Then there were the traditional suppliers: Taiwan, Hong Kong, and Korea. Because of the enormous pressures, Nixon had made certain commitments.

Q: Really we are talking about North Carolina and South Carolina. About the politics, more than any other President, I've heard that Nixon talked textiles when he talked foreign policy because part of his base was in the South, so this was not a small matter.

BARDACH: It was not a small matter by any means. The American Textile Institute as kind of the association representing the industry, had already always been very powerful in their pressuring and in their positions. It even became more so during the Nixon Administration. He made no bones about it that we should take the hard line with these countries. This brought us into very awkward and difficult situations. Many times we had other objectives in the same countries, and having to come with a negative proposition when at the same time you are trying to get them to do some other things for us was not easy. There was one particular experience I enjoyed in a negative sort of way which was a special mission. I was talking about the trust. This is always a difficult thing when other agencies don't trust what we are doing, or they feel that we are more Taiwanese than the Taiwanese.

Q: This is about the State Department being the representatives of those foreigners.

BARDACH: Right, that we always tried to hold the line and kind of strike an even balance between us and the client country. One day, without our knowing that this was being cooked up, we learned that the President had appointed Ambassador David Kennedy, who at one point had been Secretary of the Treasury but I believe for some reason he left that job. I don't know all the details. David Kennedy, he is no longer living; he died a few years back, was a very prominent banker from Utah and a staunch Mormon, and really a very nice man, but quite conservative as you might expect. Nixon wanted David

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Kennedy to take a secret mission to East Asia to knock at the doors. He was made Ambassador at large, which incidentally is a very good title, sort of a catch all. You can use an Ambassador at large for almost anything. Actually, in a sense, the pretext for this mission was that we needed a senior American official to go to the ECAFE Ministerial meeting in the Philippines. ECAFE was one of the things I worked on with Barger and Green during that period. ECAFE is the UN Commission for Asia and the Far East, which was kind of an economic coordinating body which was supposed to do a lot of learned studies about economic conditions. It was a kind of a meeting ground for the different countries. One of the problems we had, of course, with ECAFE was the Communist members. Communist China was a member; even the Russians were members of ECAFE, and, of course, we were. They had a Secretariat in Bangkok. We had Foreign Service officers, a couple of them assigned to Bangkok as liaison with ECAFE. There was a Ministerial meeting in Manila. A delegation had to be formed. It usually included one or two business people. The head of the delegation was Ambassador at large David Kennedy, and where was the State Department. He wanted to take along some of his old cronies from the Treasury, some guy from the White House, and when we learned about this, I talked to Marshall Green about it. He in his usual wonderful spirit said, "We've got to get a Trojan Horse in there. What about you, Henry?" This took quite some doing. I still see the day when he walked around the corridor on the 6th floor to Phil Trezise, the Assistant Secretary for Economic Affairs, a marvelous fellow. Marshall said what do you think of this Kennedy trip? He said well, we have got to work with it somehow or other. Marshall said we've got to do something here; I want someone from the bureau. Kennedy was going out into the area. He was going to Korea, Japan, to the Philippines, of course, where the ECAFE meeting was, and to Taiwan to knock at their doors and beat the drums for greater textile export restraint. Finally, with the help of Phil Precise, it was agreed that I would go along. There was a Treasury fellow who was kind of the workman for the team in organizing the trip etc. He had moved over to the State Department to work with Kennedy. Then I appeared on the scene. This was not easy because I was considered like a friendly outsider. I didn't have the dogma quite as strongly as some of these other

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people. That was very challenging, and it worked out very well indeed. In fact, I think I was able to help. I don't want to say I helped to persuade Kennedy there were certain instances where we couldn't go any further than these countries were willing to accept in terms of quotas. You know how this works, the quota business. Anyhow, I remember very vividly when we went to Japan. Japan was still a heavy textile shipper too. We were in Tokyo. He wanted to do everything completely by himself, Mr. Kennedy. Of course, the Embassy was helping us; they had to act as control and support and what have you. He said you know as an old banker, I know all these people. I have so many friends in Japan. He did. He knew Sato personally who was Prime minister then. He said, I'm going to go and see Sato by myself. You can imagine how that went over with the Embassy. There was a similar incident with Kissinger in Saudi Arabia. This is a less publicized one, in fact, it has never been publicized. Maybe I shouldn't publicize it. Oh to hell with it. I remember very vividly, because the Ambassador at that time, Armin Meyer, talked to me privately because I was the State Department. I still see myself sitting in his office. He was terribly upset; I practically had to hold this man's hand. He said, "Henry, how could this happen. I should be there." Kennedy went on his merry way, and he tried to keep people in the dark as much as he possibly could. The same scenario more or less came in the other countries. The idea was he wanted to play one country off against the other. He would go to Korea and say we get the Taiwanese to restrict certain categories and even more, now you've got to do the same thing. This kind of idea to bunch all of these countries together more or less was anathema to them. They simply did not like that at all. They thought they had a client relationship with us, a bi lateral relationship, and just because Hong Kong is doing it that way, doesn't mean that they have to do it the same way. I didn't go into technical details. I just wanted to describe the diplomatic difficulties you run into. It was a perfect example of how the State Department has over the years very frequently not been in the controlling role that it should be in leading negotiations on different issues. Of course, that had started much earlier. We have textile in the EB bureau but they are by no means sitting in the saddle. There are other agencies, other offices who are the controlling voice. Again going back to my job in the East Asia front office, very much of it

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was a troubleshooting, running after issues that were significant, and making sure that our interests were well represented.

Q: Tell me, with this David Kennedy trip, 1. did he let you know what he had discussed, and 2. what were the results of this?

BARDACH: Oh yes. He did finally. There were details that had to be worked, and there was a technical team along, as I say a chap from Treasury and Commerce or so. What was accomplished? I think what was accomplished was that it pacified the industry, that is on the domestic side. Frequently we do things in foreign policy that are aimed at satisfying the desires of a given community or a certain lobby. I mean that is what it is all about today, even human rights. There are special groups in human rights that want us to do certain things. It is the same way in economic affairs and commercial affairs. It satisfied and presumably protected Mr. Nixon's re election chances. I'm sure that he got quite a few votes by pushing on these textiles. The other thing is to what extent it helped our own industry. That is a much more fundamental question of quotas and the impact of economic measures or sanctions, things like that, which really hasn't been fully studied yet. It is something that I know Brookings would like to look at. It is just what does it do to our own industry for example, when we in a sense protect our own markets. I would say that it had some economic benefits to the domestic textile industry. There is no question about that. That is of course, what the basic policy was and what President Nixon wanted.

Q: Not necessarily to the American consumer.

BARDACH: No. The consumer, there are consumer organizations representing especially the big department stores and the big companies that buy in huge quantities. You can bet your sweet life they weren't terribly happy with this.

Q: Well now, let's take Korea, Hong Kong, Malaysia, what's in it for them to agree to voluntary quotas? I mean what is the stick or the carrot, either one?

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BARDACH: Well, what's in it for them? That is a very good question. At that time, I think the basic relationship with the United States which they value and wanted to keep a good relationship. I think it was quite clear that in the case of Hong Kong as I said earlier when I talked about my time in Hong Kong, there was a willingness to keep this situation on an even keel. Also, as I may have explained already, it provided kind of a specific assurance that once they had an agreement, they knew they could ship that much. In other words they could not exceed a certain level, but they certainly knew and their shippers and manufacturers knew exactly where they stood. Taiwan in those years had been hit pretty hard by the gradual change in our China policy. I'll get to that in a minute. So, for them, they wanted to keep on our good side as much as they possibly could. There were definitely also political reasons. Same thing also with Korea.

Q: Well, Henry, Let's talk about, I mean obviously the Nixon White house, I can think of two Nixon Shockoos that happened during this time. I mean you've got on both economic and political.

BARDACH: I was there. I was working with Green in the front office. There were a number of shockoos. There was the change in exchange rate, going off the gold and all that.

Q: Did that happen before or after the China recognition?

BARDACH: That happened before.

Q: Could we talk about that one then, our role.

BARDACH: Yeah. Well, our role, of course, again was heavily influenced by other agencies. The President had a special economic advisor. I think it was Pete Peterson; I'm not quite sure. He had a number of staff people, some of them Foreign Service officers. There was a lot of pressure, of course, as there always has been, with good justification to do something vis a vis the Japanese on the trade side. There was a lot of strong feeling at the time that the exchange rates were out of kilter, and that we should do something

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about the rate. I remember very vividly, there was a lot of pressure from this in-group, the economic group. Deane Hinton was one of our top economic people. He later on became Ambassador in many countries. He came to one of our staff meetings in the East Asia bureau and kind of gave us a slight pre warning that something was going to happen, something was in the works. The Japanese understandably were not forewarned; no country was forewarned. American tourists were not forewarned either. You remember there were American tourists who were suddenly stuck with a very adverse exchange rate and practically ran out of money. That was in '71. I remember roughly that the Japanese sent over a big economic delegation at the time. I recall this because I associated it with the opening of the Kennedy Center for the Performing Arts which was in the fall of '71. I was indirectly involved in this because my son, then a young fellow, was in a boy choir which performed with Leonard Bernstein in the opening Mass, the piece he wrote for the opening of the Kennedy Center. He was in all those performances. The Japanese, we had to do something with them. Marshall Green said well, big event, we should get a box and invite them to go to one of the opening performances of the Bernstein Mass, which they did. So, we had two masses. We had the mass with the exchange rate and trade and the Bernstein Mass which even with the best efforts of people trying to explain what was going on, I'm not sure whether you are familiar with the work. It is actually based on the Roman Catholic Mass, but it is something so completely different, they were really lost. They didn't know what to do with that.

Q: Still talking about the gold one. I gathered that the Japanese were particularly unhappy, more than almost anyone else. I mean they felt they hadn't been warned. This was reinforced by the China opening which was a bigger one, but it was a double hit. Why were the Japanese particularly upset by this and then how about the other countries throughout East Asia? I mean did we have a lot of fence repairing to do?

BARDACH: No, not really. I don't think this was quite as relevant there. In the case of Japan, it was partly designed to attenuate or correct the very unfavorable balance. I think that in general, and I'm not completely expert on this question, but in general the reaction

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around the world was of course it was a surprise. I think the countries adjusted themselves as best they could, so that to the extent that our currency was hot, it of course, was a devaluation, so that meant that the other countries could buy more from us. That was one of the motivations behind this. Again, you would have to do a very detailed study, and I'm sure such studies have been made to show what effect this had on our negative trade balance with Japan.

Q: We can go on.

BARDACH: Yeah. During this period there was, of course, the whole Vietnam thing which was kind of winding down, and the Cambodian and the bombing of the North and the Cambodian bombing. What you have heard from others and what you have read about keeping people in the dark about what was happening and what was being contemplated and the action being taken especially with regard to Cambodia is completely correct. This was a difficult time obviously for the Assistant Secretary, Mr. Green, but he kept his cool on it.

Q: Did the situation in Vietnam in the '70 '73 period, did you have much involvement with that on the economic side or not?

BARDACH: No. Only on the margin. We had a very large Vietnam office at that time, and they were dealing with these things. The closest I came to dealing with Vietnam was in the commercial commodity program we had there under AID when I was in Hong Kong. I was asked to monitor some of the activities. There were some AID inspectors that came through Hong Kong. They made their base in Hong Kong, and I took a couple of trips to Saigon and Bangkok in connection with that. In the big picture, this was not a major item. The other important development in that period of the early '70s, of course, was our opening up to China. I did get involved in this. It was extremely interesting. I was not aware of what was happening. No one knew about the Kissinger secret mission. It took place, I'm not quite sure about my dates, but I think it was '71. John Holdridge, who at that time

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was serving in the NSC, was the mastermind for this. There were some preliminary quiet discussions, and then Holdridge and Kissinger went through Pakistan. You remember this was all arranged, too.

Q: Prior to this thing in the East Asian bureau, were the economists looking at the Peoples' Republic of China, this huge mass, thinking of it sometime in the future as a potential market or potential economic rival. Was this INR or was this not on our radar.

BARDACH: People were looking at this. I mean the China desk. There were some special projects that we generated trying to begin to have some indirect economic relations. This was not easy to do because you remember in those days we still had to all intents and purposes a complete embargo on our trade with China. There were foreign assets controls so that you were prohibited from participating. Let's say a Hong Kong investor wanted to do something on mainland China with the Peoples' Republic, and he needed some funding and he was working with an American bank or something of that nature. That would be a no no because the foreign assets controls would reach into that. The policy decision was made that we would allow American firms with subsidiaries in Canada. Up to that point all of these were covered by these various restrictions, and there was some pressure from some of these companies to open up. There was some internal pressure in the United States to do something to start opening up the market in China even though we had no diplomatic relations. That was still to come. So, the first step, and it was an interesting one, was to go through the Canadian subsidiary formula, and that began to work, which meant that a subsidiary of a chemical firm or an equipment firm could deal with Communist China. That was kind of the first clicker. Then against that background there came the Kissinger secret mission. This was not revealed as you know, and again the bureau was not informed. Secretary Rogers, I think, at one point was informed of it, but word did not reach Marshall Green until after it happened. Needless to say, these things leave scars on senior government officials who are entitled to participate in moves of this sort. This of

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course was the trademark of the White House in those years and the Kissinger role in the White House which was a very powerful one.

Q: Henry, could we just, trying to get it down to the day and the hour. What happened when you heard about it? What happened in the East Asian Bureau? What was sort of the talk because I imagine it was one of those things like where were you on the day you heard this? BARDACH: I can't tell you where I was, but I imagine I was sitting in my little cubbyhole in the front office. It was a reaction I would say in the bureau in general not only of surprise but also of some indignation that this could have happened without people knowing about it, our senior people. It was a kind of negative thing from our viewpoint; we seemed to be cut out of it. But we gradually moved and became part of it, of course, especially Green for the first Nixon trip. There were some delicate moments about who would go along etc. At that point it became necessary, of course, once the ice had been broken, fine, then to mount a mission with talking points, with hundreds of details to be worked out, with joint communiqués to be prepared. With all these details, it became impossible at that point for Henry to go it alone. Then it had to become an official mission; the State Department had to be involved. The China language officers of whom we had many good ones at that time were necessary for translation, for interpretation, just a whole panoply. Then, of course, we did become involved in a big way. As I say, Mr. Green was along when Mr. Nixon went out there. I was in a backstop situation back home, and we were watching every little move and detail. One particular moment was a reflection of how the economic things were beginning to move in the Chinese mind early on was apparent at one of the various meetings that had been set up. Not all the meetings were with Chou En Lai; there were other people involved obviously. There were discussions about future trade relations or so. All of a sudden the Chinese said, well now exactly how could we benefit from trade preferences if you give us trade preferences? Nobody had anticipated that things could move that fast, but the Chinese are basically good business people. I remember I got the phone call, the backstop people here. We got the phone call from someone in our delegation saying we have absolutely no material. Can you cook

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up something immediately that would show how the Chinese would benefit under trade preferences. I found this very exciting because there I was right in the middle of it. I was watching it on television and trying to dig up some facts and figures, with the help of other people, of course, the bureau and the Commerce Department people, and we got some material back to them. That was the beginning. I was invited at one point in my tenure in the East Asia Bureau there to give a speech. I believe this was in '73. I was invited to give a talk to the annual convention of the American Pharmaceutical Association in California. They wanted to hear about trade with East Asia and our economic prospects, particularly trade with China. I recall very clearly at that point it was necessary to point out to these people that this was only a gradual slowly evolving relationship and just because China has 900 million people, that doesn't mean there are automatically 900 million customers. It was interesting to see how quickly American business and American trade organizations reacted very positively to this, of course, looking for opportunities, which is what they should be doing.

Q; Where did you get your analysis when you were doing this? Did you rely on INR, the economic bureau; how did this work?

BARDACH: Both. We did gradually get reporting. There was always a great deal of reporting from Hong Kong. That was traditional. Hong Kong, the Consulate General were the eyes for China. That has continued to this very day and presumably will continue after her reversion. We did have reports; we had material from INR and from the intelligence community and to some extent from the EB bureau. Our China reporting on the whole has always been very resourceful. We had a lot of very good material. Then another job was supporting our efforts with the various Asian economic development banks, especially the World Bank. During those years there were a lot of pressures top try to cut back on United States contributions. There was a lot of interest from the regional bureau in that particular field and the Asian Development Bank. The Asian Development Bank was going to be an interesting situation eventually with regard to membership of the Communist Chinese. That issue was not resolved until somewhat later in the early '80s. Finally Taiwan had to

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give up its role. This was very complex because there was a lot of money. The Taiwanese had a lot of money invested in the Asian Development Bank which is headquartered in Manila. It played a substantial role in AID work in development work in the area. That was one issue. With other international organizations, it was very interesting. For example, I went to a Ministerial meeting of ECAFE which happened to be in Tokyo; the Chinese had a substantial delegation there, and the question arose right away to what extent can we or should we fraternize with their delegation. It was just at that point in the relationship. The fraternization, if you will, was not beyond a little bit of social contact at the cocktail parties and receptions and things like that. I recall that is when I met my first Communist Chinese official. We had some interesting chats.

Q: When you were dealing with these Chinese officials in whatever capacity, did they seem to understand how the American system worked? Economic or political, did they have America watchers too or how did you feel about this?

BARDACH: Oh yes, they had America watchers, and I think they understood the issues reasonably well. They really didn't create many substantive problems at that point. I can't say they were a major obstacle in the kinds of policies that were being laid out through ECAFE. The other highlight during that period was that the Department became increasingly under pressure to pay closer attention to our commercial interests. This, of course, had been going on all along. Early in my assignment to the bureau the Secretary decided that we would do something to ward off the pressures to set up a separate commercial service which was part of this separate Foreign Commercial Service. We had to really do more things on the commercial side, set up a commercial office in the EB Bureau, which happened. Each regional bureau should have a commercial coordinator to work with the desks in making sure that there is enough interest and enough activity on the purely trade promotion side, and to co ordinate with the Commerce Department. That was a fun activity. I enjoyed working with the Commerce people; many of them I knew from other years in my economic activities; although, there were one or two of them, long since gone, who were really very anti State Department and criticized everything we did

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and didn't feel that the Embassies or Ambassadors were helping them or doing the right things to help the American business community. By and large, we established a good relationship with the Commerce Department. I was asked by Marshall Green. He said, well, Henry, here look at this. The Secretary wants us to appoint a commercial coordinator, and our budget really isn't all that big, you know, and I don't think we can do this. What about you? You can work this into your activities. Of course, I accepted the position just like history repeats itself in a career very frequently, just like in my Foreign Service assignment in Switzerland. So the same thing happened again. There were much more important tasks that we had to do; there were a lot of inter agency meetings. We started something which was very useful, which was country pilot programs. And, the desks had to get involved in these commercial pilot programs. Somebody at the desk would have to work and attend meetings and go to the meetings where these programs were hashed out. They became like master documents for the objectives. They ran into considerable detail. We got these pilot programs going. I think this all worked out reasonably well. There were inter agency hassles such as who would chair the pilot program committees. I believe the way that worked out, Commerce would chair them, but we had kind of a co equal role in it, our desk people did. I did a lot of things in the multi lateral area. It was a very important aspect during that period. I'm trying to recall how it fit into the general evolution of our policy during those years under the rubric of the Nixon doctrine. The Nixon Doctrine was a doctrine of self reliance that we wanted. Of course, this stemmed from the whole Vietnam business. You remember that. It was felt, and this is largely Marshall Green's initiative, he deserves full credit, he worked very closely with the White House. Nixon wanted something that would have his stamp on it, the Nixon Doctrine, which is to say, we let these countries take care of themselves militarily. We give them everything they need. We will gradually withdraw. That, of course, was supposed to be the panacea to get us out of Vietnam in an honorable way. The doctrine really applied to the whole area. It was that countries should self help. Self help was very important. It was instituted in AID. So, against that background, we felt there should be mechanisms that would get other countries involved in the so called consortia to help countries. The World Bank

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had started the so called consultative groups. We seized on that as a good way to again multilateralize the effort to help countries like Taiwan, the Philippines, Korea, the whole batch. Indonesia, about which I will talk on another occasion. The idea was to have these consultative groups have an important role not only in channeling funds for program assistance and project assistance and all of these things, but also to have a handle on the country's economic policies, just like the IMF is now working with Russia in trying to set Russia's house in order. We were trying to do that through the World Bank and the IMF in those years already. That meant close liaison with the World Bank. At that time, one of my interesting memories is working with key people in the East Asia section of the Bank, a big section. It was my role to have liaison with them. By that time, Mr. McNamara had become President of the World Bank. He was getting away from his Vietnam involvement. He was really gung ho. He was a little bit like a chameleon; he changed his colors to whatever he was doing. But, he was back almost like the president of Ford, and this was a big thing. He wanted the bank out there to increase bank commitments. I remember we had an issue to discuss on some levels for particular countries. I went over many times, but the first time I went over to see a Britisher in charge, Roy Goodman, a very astute fellow. In his office, he had a chart which was called the McNamara chart in which he had the countries listed, and figures going across and a line going across like price levels of the stock market. He said, McNamara has got a copy of this up there and he is looking. How much have you exposed your exposure in Thailand, in Indonesia, in all these countries. The World Bank was a somewhat different institution than it is today. These were some of my activities in the commercial field, in the development field, and during all this period, at least for the first two years, Marshall Green was the Assistant Secretary. Then, before I left the job, Arthur Hummel had come in with the great expertise on China. They were always extremely supportive of what we were doing. Oh, I attended these consultative meetings. I attended one on Korea in Geneva; I attended one on the Philippines in Paris, and I believe still another one; I don't recall precisely. So, I was a representative of the bureau's interests in all these activities, the special ones like textiles. Then as kind of a great finale came the mission of the Senate Finance Committee, Sub Committee on East Asia, to

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Southeast Asia, especially to Vietnam. This was in the early part of 1973, January or February. That Committee at that time was headed by Senator Inouye from Hawaii. That committee was very much involved in the whole AID appropriations cycle. They were very influential, very key to getting an AID bill passed. Now, because of Vietnam, remember we are already at the end of '72 '73, and the negotiated peace treaty that Kissinger hammered out was signed in '73. The atmosphere on the hill vis a vis USAID in that part of the world was very negative. This was determined by the whole Vietnam situation, the enormous amount of funds that were going there and the commercial funds that were going into Cambodia and all the subsidies. There was one grandiose subsidy that was going there. They wanted to look into that, but they also wanted to visit other countries, countries that were no longer or declining AID recipients. They also wanted to look at the same time at our commercial activities. What were we doing for trade promotion. The hue and cry was all over the hill; we've got to export more; we can't do it all in AID. We've got to have trade and AID and all of that. Here again was a question of they needed our help, and they wanted to have somebody designated in the same State Department as their contact point. Guess what? Henry Bardach was the fellow. I was designated to do this, and I still remember to the day that Marshall Green and I went with the car up to the hill to meet with Senator Inouye to discuss this. I was asked to help with all the logistics and help with the committee members and subcommittee members, staff people in getting the whole thing organized in sending out the cables to alert the missions and the agendas and the appointments. For several months, this became almost a full time job. Then came the moment for all of the departures and all of that. They were going to go with an Air Force plane, the departure scheduled. Then again, the State Department stepped into it; Marshall Green indicated to the Senator that the State Department really should go along on this trip. We'd like to send somebody. There was some little reluctance in the beginning, partly because of space on the plane because they were taking along their own committee crowd. There was a fellow from the General Accounting Office that was going along to look at things etc., and of course, wives went along. All wives went along except one person didn't bring his wife if I remember, but I did get the signal. I had become very close

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to Senator Inouye; we'd become very good friends; he is a fine fellow, and also Senator Hollings, Fritz. He's still in the Senate. We had a very distinguished group, the Democrats Chairman Inouye, Hollings, Birch Bayh, and Montoya. He's dead now, from New Mexico I think. The Republican was Senator Stevens of Alaska. This was a powerful group, not to be taken lightly by any means. Of course, I got to know them all very well indeed. We traveled to the Philippines, to Indonesia, to Thailand. From there we went up into Laos, Cambodia, and finally Saigon. From there we went to Taiwan, Republic of China, although it wasn't called that anymore at that point. It was a horrendous schedule, a very brutal schedule for almost three weeks. We were still to go to Korea when word reached us in Taipei that LBJ had passed away. They, of course, were all up in arms. They were tired too.

Q: LBJ being former President Lyndon Johnson.

BARDACH: President Lyndon Johnson, all of these people having been close to him, the four Democrats on the team, and they were hell bent to get home. We had to turn all kinds of levers to get the Air Force to get us home quickly because they obviously wanted to go to the funeral. Substantively, that trip was very important, not only the preparations but the briefings, the opportunity I had to talk with these people over a period of several months just getting ready, then the opportunity to talk to them during the trip. And the stay in Vietnam where they looked very closely at the bombing that was still going on because some bombing was going on in North Vietnam. This was of importance. In a sense, I had to try to bring them around to the idea that the Vietnam thing despite the domino theory and all those things, was a very special situation, and we should not penalize the AID programs in other parts of Southeast Asia just because of the Vietnam situation. Aside from that, the proximity of a peace treaty made it important that we have enough economic aid resources to keep South Vietnam shored up and to keep it strong vis a vis the North. Of course, it didn't work, but that's neither here nor there. There was such strong feeling in Congress about that, just letting the economic aid just sort of go down the hill. As a result of the trip and as a result of the Embassy's well programmed activities to show

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what we were doing with the American business community which was nothing on the scale of what is being done nowadays or later on, I think, persuaded them that the AID bill somehow or other had to be saved. I remember the moment, we were all sitting together on one of these big C131 cargo planes which is the only thing they had available to get us back to Washington in a hurry. I was sitting with Senator Inouye and sort of reflecting on the things we had learned on this trip. He asked me point blank what was my opinion; should Congress pass a continuing resolution or try to work out a brand new bill which was practically impossible under the circumstances at that time, under the mood. We both agreed that the thing to do was to push for a continuing resolution just to keep the thing flowing. That in fact happened. I was very pleased to play a constructive role in preserving something because in '73 for development aid and for the whole economic business, a very bad atmosphere at that time, primarily because of Vietnam.

Q: In dealing with economic issues, we've talked about most of the other ones, the Philippines, were they special in the way we looked at the Philippines or not?

BARDACH: Special in what sense?

Q: Our interests go back to 1898 or something like that, and I was just wondering whether we treated the Philippines and the commercial ties there different from what we treated Thailand or something like that? How did you...

BARDACH: I think that era was already over in the '70s. We had negotiated an agreement much earlier in the '50s, the Laurel Langley Agreement, which normalized our relations. The only place where perhaps occasionally some special consideration would come into play, but even that was no longer the case then, was with sugar quotas. The Philippines were always interested in having special treatment on their sugar quotas. By the 1970s the Philippines were treated from the viewpoint of AID appropriations, much the same. There was an awful lot of stuff coming into the Philippines through our bases, the fact that we had a lot of soldiers posted there. That, of course, has now disappeared completely.

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Q: Today is 20 December 1996. Henry, you are going to Vienna as economic counselor in 1973. You were in Vienna from when to when?

BARDACH: I arrived there in the summer of 1973, and I was there until late summer of 1976.

Q: OK let's pick it up. What was the situation both politically and economically in Austria in 1973 when you arrived?

BARDACH: Austria by 1973 and even several years before had become a very well going, prosperous democracy. It was a country that basically had few problems. The Socialists had been in power for many years under the leadership of Chancellor Kreisky and they had a fair majority at that time, contrary to the situation today, today being 1996. The opposition party, the so called Volkspartei, the Peoples' Party, a more conservative party had a good balanced relationship with the Socialist Party. The country really prided itself in having a great deal of stability in what they called the social contract. This of course, is not uncommon in the smaller European countries where you have what some people would call almost a welfare state. Although, in Austria it was somewhat more limited than in Scandinavian countries such as Sweden, Denmark, and Norway. One has to remember that Chancellor Kreisky was always a great adherent to the socialist movement. In the international socialist movement, he was considered one of the leaders. Kreisky, who of course was Jewish, did not obviously spend the war years and the late 1930s in Austria. If I remember correctly, he had already disappeared from there before the Anschluss occurred in 1938. He went to Sweden and learned his lessons from many of the more well known Swedish socialist leaders. He carried this forward when he returned to Austria. He had always been a politician, and he became a politician then. He went through all the steps. He became Foreign Minister, then he went to Chancellor.

Q: In looking at it historically, the Austrians seemed to have almost a more virulent anti-Semitism. Hitler was a product of this in Vienna and all. It was always there.

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BARDACH: It is a very good and interesting question. I'm not sure that there is a very specific answer to it. It is a good question how in a country that has so much anti Semitic history a man like Kreisky would rise to the top and be chancellor for many years. He was very popular and he managed to prevail on many social and economic issues. I can only surmise that this was somewhat of a reaction by the Austrian body politic to show that if this was an able man and he could be chancellor, then so be it. I think much of the Austrian population, the key politicians and the key industrialists and bankers were very grateful to Kreisky for the role he had played in bringing about the rapprochement with the Soviet Union. He was very much involved in the negotiations with the State Treaty which came to pass in 1955 which basically made the republic of Austria what it is today. That's when they became fully independent. The negotiations with the Russians were very difficult and long and he had a big role in that. So I think all this came together in just lifting him above the latent anti Semitism which, of course, you still find today in Austria. It's very interesting since you mention this. I recall in my position as senior economic man, I had quite a bit to do on claims cases and things that came across our desk. I recall one particular case with an American, I believe, with some property that had been confiscated. Something of that nature. In any event, it involved my going to present a note or a letter or something to the Finance Ministry. The Finance Ministry at that time was led by a very dashing, very capable, very ambitious Austrian, Janus Jandrosh. He had an assistant who was kind of his aide de camp, his key man who was sitting in the office next to him. If you wanted to get anything done with the Finance Ministry, the thing to do was to go and see his assistant who was none other than Franz Vranitzky, who is now and has been for many years, the Chancellor of Austria, also a very ambitious young man who rose to the top and is still very much at the top. Franz Vranitzky is the Chancellor of Austria today. We became quite friendly; I used to see him quite a bit on various bits and pieces of business. We even had lunch together at my house. One day when I went to see him with this particular claims case which involved a Jewish entity; I'm not sure, a person a company, whatever. He told me quite openly and frankly, listen, there is one thing you've got to remember. There is still a lot of anti Semitism here in Austria. I don't like it, but it is

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there. You've got to realize that when you are dealing with situations of this sort. I thought that was quite meaningful. I think in that regard, we all know the Austrians were much slower in coming around to admitting their own role with the Nazi Germans. By the time I got there, a lot of this had passed away. Our relations with them have always been very good right from the very beginning. There had been many reasons for this. You had the four power regime similar to what you had in Berlin. You had this regime in Vienna at least until 1955. After it was all over, the Americans were always the favorites. We helped them a great deal right after the end of the war in getting them back on their feet. One little historical almost anecdotal aspect of this relationship was the presence of John Foster Dulles' sister, Eleanor Dulles. She died just this year recently at the grand old age of 101. Eleanor was a key element in bringing food and almost immediate assistance especially to Vienna which was in pretty bad shape for lack of enough food. Things like that made the Austrians feel we weren't the victor and the enemy, but tried to be a friend.

Q: You were talking about the good relations with the Austrians.

BARDACH: The United States, tended to lean over backwards to be friendly with the Austrians and to make them feel almost guiltless in terms of their own role with the Third Reich with the entire development of central European history, the rise of Nazism. The fact of the matter is that a large segment of the population already in the 1930s was very much pro Nazi, if only for the fact that Hitler had been an Austrian and then he became a German. The Austrians will always tell you well, look at Beethoven. Beethoven was born in Bonn, but became a Viennese. I think there was a definite tendency on the part of US policy to de emphasize their role with the Nazis and their role in the Second World War. The Austrians welcomed anything that would make them feel that they were the victims of the Third Reich. In a sense they were, but you can't claim and I don't think they any more today claim as a policy, that they were done in by Mr. Hitler and the Germans. They played a very substantial part in it as we all know.

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Q: The recent re looking at Austria's role during the problems with their Chancellor Kurt Waldheim brought that into sort of public notice.

BARDACH: Absolutely. Of course, Waldheim, since you mention it, was very much respected by the establishment at that time; although, I think he was known to be not an easy man to work with. He had been in the Foreign Ministry and I knew a lot of people who knew him well. I met him myself a few times. He was then Secretary General of the UN during my time in Austria.

Q: Henry, first let's talk a bit about the Embassy, the Ambassador, how the Embassy was run during the time you were there. Kind of what we wanted out of Austria, and then we'll come to your particular economic thing.

BARDACH: I think that I came to Austria and to our Embassy in Vienna at what I might call almost a golden age time because our relations with Austria were really at a high point. The personal relationships between the Ambassador and the staff and the senior Austrian officials couldn't have been any better. Our Ambassador for most of my time was a Nixon political appointee, John P. Humes who was the best political Ambassador I have worked for. There is no question about it that he was well liked by his staff, but was also very well liked by the Austrians.

Q: What was his background?

BARDACH: His background, he was a lawyer by training. He had major investments by his family, a very wealthy person, a New Yorker. He had been in the Marines during the Second World War. He had always had an interest particularly in Austria and also in Switzerland and when the opportunity came, Nixon offered him the Ambassadorship. He took it, and he took his job very seriously, but not in a pompous way. He had style, and he knew how to use his staff very well, and he knew when to delegate. He listened very carefully; he was generous with entertaining people, so that was a very definite plus.

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In terms of what we wanted from the Austrians basically was they would be a neutrally friendly country toward the United States, that they would support us in international fora on all the issues that came into play during that period, particularly the North South conflict that arose as a result of the oil crisis. We wanted them to stay pretty much on our side as far as Near Eastern policy is concerned, especially on the Arab Israeli conflicts. That I must say was a somewhat more difficult area because Chancellor Kreisky I would say the one big negative aspect in our relationship with him over a longer period of time. In fact he was very pro Palestinian; he was very pro Arab. He would go and visit Arafat.

Q: Arafat being the head of the Palestine Liberation Organization.

BARDACH: He recognized him long before anybody else did which raised a lot of eyebrows and didn't go over terribly well with us. I think he kept a fairly even keel on this. That relationship wasn't taken to a point where it was harmful in pushing along the early stages of finding some rapprochement in the peace process. The other was in the matter of the East West relations. At that time, US policy in Austria was very much a function of détente. The Nixon détente which started with China, was also carried forward with Eastern Europe and the Soviet Union. This was important because Austria, obviously had been trying to build up a better relationship with the Soviet Union, not only for economic and commercial reasons but because they are sitting right there on the borderline, on the sideline. Moscow is a two hour plane ride from Vienna. I think they welcomed our interest in achieving a better relationship with the Soviet Union. They welcomed our desire to use Vienna as a central point, as what they call a drei shiver. A drei shiver is what is called like that thing that goes around when a locomotive goes...

Q: A round table, a turn table.

BARDACH: A turn table. Vienna was a round table not just only for us but for other countries. This was the place where everything was going to flow together happily, and in many instances it did. Sometimes it didn't do so well. The other thing, Vienna had become

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gradually, also pushed by the Austrian establishment, an international city, a second UN city. Vienna has always wanted to upstage Geneva and to some extent they succeeded.

Q: It is more fun.

BARDACH: Why sure it is. It also brings in more conference business to hotels and all those things. So that in essence, our interest was to maintain Austria's position as a turntable, and to keep them reasonably friendly, to keep them as much on our side on basic policies as possible.

Q: Was Austria during the time you were there a place where Jews from Romania, from the Soviet Union and all would come and then there would be a general sorting out who went to Israel, who went to the United States etc.

BARDACH: Correct. They would. I don't remember Romania per se but I do remember a lot of Soviet Jews that were passed through Austria. They were in camps there, not concentration camps, these were halfway decent places. They weren't luxury hotels. They used Austria as a transit point. This also became a problem because at one time even while I was there there was a problem with terrorists. This must not be overlooked. Terrorism has been around for a long time. There was a very bad terrorist attack at this camp it wasn't at the camp, I believe it was where refugees were taken to move forward, and I believe the terrorist attack took place at the airport itself; there were a number of people who were shot up, and it was a bloody mess. I believe this was one of the Palestinian groups that made that particular problem. There was another very bad terrorist attack which I was involved in at the Embassy because of my economic and commercial role, and that was the attack on the OPEC Headquarters. That was my claim to fame in my Foreign Service career because my name actually appeared on the front page of the New York Times. The only time that ever happened because that was the big thing. This happened about — '73 was the big price hike, a major flap in oil prices. That was not far away, the headquarters of OPEC. They have a different building now. It was in

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a big apartment house which was not terribly far away from our Embassy, so I could in fact walk over there and see what was happening. The Ambassador instructed me to go down there and see what was happening with this hostage crisis. They had all these Oil Ministers. They were holding them as hostages. Two people had been killed as they came in shooting. The group that did this was not a Western group obviously. It was an Arab group that came in, and they had to make this trouble. It showed that Vienna was not exactly unimportant. The reference in the New York Times was simply to the fact that this was a matter of great concern to the Austrians, and they didn't know exactly what to do etc. and the American Embassy's Economic Counselor was seen with one of the Ministers outside the building asking him how is the weather "upstairs." I'm not exactly sure whether that is a true report of what I said. I said something similar.

Q: What were our major concerns as Economic Counselor?

BARDACH: Basically there were two. In the trade area the question of getting the Austrians to open their doors to American investment and trade. This had already improved very substantially. Austria, although not a member of the Common Market at that time, was part of the European geography with their neighbor, Germany, being their principal trade partner, This made it sometimes a little difficult for us to penetrate into the Austrian market. On the East West trade side, there were no major problems. The question of CoCom Controls [Coordinating Committee for Multilateral Export Controls] had settled down into a definite pattern. Austria, of course, was not a member of CoCom, but they adhered to many of the CoCom rules. CoCom was really the coordinating committee of most of the Western industrial countries to control and to restrict trade in high technology defense items, high powered research especially into computers, to control this from going into the Eastern European countries. This was a very major thing, but by the time I got to Vienna, the things were pretty well in a set pattern. But, the other side was that we had established an East West trade center which the Austrians welcomed. It was part of the Embassy; it was physically located somewhere else. It was financed by the Commerce Department. It was part of my "empire" in Vienna, so that

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at least for the first two years I was there, the director of the center reported to me. It was very much part of the total Embassy operation. The Ambassador was anxious to have it. Of course, this was to facilitate the contact of American business in moving into the Eastern European markets and to get advice and to make contacts. The Austrians welcomed the fact that we would use Austrian know how, Austrian firms, Austrian banks etc. to steer American business into the appropriate channels in countries particularly, of course, the Soviet Union, Czechoslovakia, Romania, Bulgaria, and Hungary. I think it was very successful initially, but the question that can be raised almost immediately is well if American business wants to go into these countries, why don't they go there directly? Also, simultaneous with the opening of the East West trade center in Vienna we had just a year earlier had opened up a trade center in Moscow. After awhile people began to say isn't this a needless in between step and expense that we can perhaps do away with. To make a long story short, it was eventually cut down to kind of an East West trade office. It wasn't dismantled completely, but the big showy trade center type of thing that we had for the first two years that I was there was gradually eliminated.

Q: Were there any problems with Yugoslavia, Czechoslovakia, or Hungary at that time?

BARDACH: Well, there were problems. One very key problem was the gradual thawing in relations between the Austrians and the Hungarians. This did not involve us directly, but obviously we observed this very closely because there was a real push to eliminate the strict controls and the borders. For many years, going from Vienna to Budapest, which is not all that great a distance, was quite an undertaking. Gradually, the Hungarians thought they were better off to have a somewhat smoother access in both directions. This was, of course, many years before the end of the cold war. There were definite signs that both sides wanted to have more ready access to each other, and that was happening during the time that I was there.

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Q: Here you were in Austria when we went through one of our great internal crises. That was the Watergate period and the changeover, the resignation of President Nixon. Was that difficult for you to explain, and how did the Austrians view this?

BARDACH: Yes. It was not easy to explain because most of my contacts either politely avoided the subject, or if the subject arose at all, they thought it was greatly overdone. They couldn't quite understand, like in many other countries, you had the same thing in Asia too, they couldn't understand that it would be carried this far. It was just that this type of thing is a peculiarity of American democracy, and it was not easy to explain. They couldn't understand why it went as far as an impeachment proceeding. Actually it never got started, no.

Q: It was obviously in the cards if Nixon had not resigned.

BARDACH: Yes. And so this was not easy to explain. There was a change in command when he resigned and President Ford took over. For awhile I thought the Ambassador appointed by Mr. Nixon would stay on through the remaining part of that term with Mr. Ford. That didn't happen because I gather there were other people who were interested in getting that job. The Ambassador was informed by Mr. Kissinger that there would be a change. He had been there for five years, and he was very sorry to leave. We were sorry to see him go because he was doing a very good job.

Q: Who took his place? Did that happen while you were there?

BARDACH: Yes. Ambassador Buchanan, who had at one point been chief of protocol in the State Department.

Q: Wiley Buchanan. Did you get any feel for how he operated?

BARDACH: Quite different. He was a different kind of person.

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Q: Was Felix Bloch there while you were there?

BARDACH: No. Felix came much later.

Q: Well then you left there in '76?

BARDACH: In '76, right.

Q: And where to?

BARDACH: To Djakarta.

Q: Wow, that was quite a change.

BARDACH: Yes. Let me explain here before we finish the Austrian thing; I think it is worth mentioning. You asked me about economic issues there. We had relatively few major issues. There were a lot of operational issues that were important. I mentioned the East West trade center. The whole East West issue was important. Kind of what you would call vestiges of the Second World War and the period beyond when we had an AID program there in Austria. We had all sorts of assistance, and there were funds that were left over, small counterpart funds that were still available to the Austrian Government that had been left over. The amount was to be used for worthy kinds of projects by the Austrians, and they could pretty well do what they wanted. It wasn't a horrendous amount, but it was there. Lo and behold, one day, I received a call from Chancellor Kreisky's Economic Assistant. He had an Economic Assistant, an advisor like we have in the White House in the NSC, their NSC being much smaller than ours, one person for each function. This fellow, a very bright fellow too, we had become very friendly, he said look I've got a communication I want to put forward to you because we are having a bit of a budgetary squeeze there. They wanted to propose to us that these remaining funds could be used to kind of get them out of a budgetary dilemma without necessarily assigning or earmarking it for some specific project. This took us somewhat by surprise. We thought this file was a

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closed chapter. It was an interesting and wonderful problem for a Foreign Service situation where you have to deal with something that is quite unusual, and there is nothing that you can look into and say we should do this or that. It was a judgmental matter. I sat down with the Ambassador and the Political counselor. We said that under the terms that we left these funds for the Austrians, it really wasn't appropriate for them to do that. It was not really an illegal thing, but it was not exactly an appropriate way to suddenly bring in these funds. It is like some people argue we are taking funds away from the Social Security fund to balance our budget. There have been arguments on that as you know, and so we politely had to decline. We presented the issue to Washington with our recommendations and politely had to decline it. There was something else though that was very important before we leave Austria if I may because you were talking about major issues. That was the North South relationship. You remember there was a North South dialogue.

Q: North South being shorthand for...

BARDACH: South being the developing countries of the world, which was a very powerful group. North being the developed countries. South was a group that included the Asian countries and the African countries and the Latin American countries. It was a very vocal, powerful group. What triggered their particular desire to have this dialogue was the OPEC price rise which took place in 1973. It was seen as a signal they felt of complete unbalance in the relationship between the industrial countries and the developing countries. The oil price rise was considered a symbol of this particular issue. This resulted in very sudden preparations for a major meeting, and frequent consultations among various economic people in Europe, Embassy economic people. There were a couple of meetings in Paris which I attended. The difficulty with the Austrians, that was a real issue for us but an understandable one, was that under their neutrality they didn't want to get too cozy with the United States and with other European countries. The same applied to Sweden and the Swiss as well. Of course, they wanted to be a part of it, and they wanted to be involved in this dialogue. This was a difficult situation for us at the Embassy because as it finally turned out among the three neutral countries, it was a question of competition among the

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Swedes, the Swiss, and the Austrians. Of course, as good Embassy people, we supported the Austrian desire to be a part of this. As it turned out, the Swiss got it. Probably among other things, they had a very astute top economic man in the Swiss Government, a fellow by the name of Jolles who was very debonair, very smart. He was seen a great deal in Geneva with GATT and the OEC in Paris and was known to be a superb negotiator etc. I think this was an instance where perhaps personality played as much a role in it as the particular country. Also, they are a bit closer to Paris where these important consultations were. Kissinger was Secretary of State by then. Kissinger was pushing very hard on getting this resolved somehow and came up with a few other people. Primarily it was his idea to establish an international energy agency. You don't hear much about that anymore, but it is still there in Paris. I think it is a small part considered an adjunct to the OECD now, but the International Energy Agency [IEA] is still there. There, of course, we were interested in getting everybody on board. The Austrians, having been rejected for being the spokesman for the European neutrals in the North South dialogue, were not particularly anxious to climb on the wagon of the IEA. This was a different thing because the energy agency for awhile played an important part in coordinating supplies not just for the US but for European countries who are very dependent on Near East oil etc. The Austrians produce a tiny bit of oil by themselves, by the way, something most people don't know. During my time there they produced about 25% of their oil requirements. Outside of Vienna they had some oil. There were some questions and there were some pipeline problems, pipelines running over Austria and going to the Eastern part of Europe. We felt there were good reasons for them to be involved in this. There again I think this was one of the more satisfying moments in my Foreign Service career where you really feel you are instrumental bringing it around. I had quite a few discussions and meetings with the Chancellor's economic man in the Chancellery. We had quite a bit of pressure from Washington saying do your darndest to try to bring these people into this.

Then came the evening at the opera. Music, all sorts of music, and opera play a very important part in Austria, especially in Vienna. The Viennese simply love the intrigue in

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their artistic life. It is a big thing. It is also perfectly acceptable in Vienna society and even in the diplomatic society to give priority to an important performance. Leonard Bernstein would conduct the Vienna Philharmonic several times a year when he was in town. Somebody would call you, an Austrian, even a non Austrian, and say well we are having a reception this evening or a dinner party or something like that. You would point out to them you have tickets to the Vienna Philharmonic, Bernstein is conducting. OH! We'll change the date of the party. I actually saw this happen. Of course, the opera is in operation seven times a week for practically nine months a year, so it was the same kind of thing. Thanks to our Ambassador at the Embassy, he paid for this of course, the Embassy had a box for every performance for the nine months. We could use it for representational duties. I knew that my friend Mr. Michelski, the Chancellor's economic man, I knew that he liked opera very much, most people did. I said, listen, there is a performance of Gotterdammerung, the last opera of the Ring Cycle coming up on such and such a date. Would you and your wife like to join us? I can use the Ambassador's box. Oh, yes! But, he says, there is also a ball that same evening, the Ministry Ball. The early part of the year, well, the balls are usually just before fasting starts for Lent. We'll go to the opera, he says, but you will have to come with me afterwards to the ball. The balls always start quite late, around eleven at night or so. Good and well! We were in the box, and even before it started we were talking. We talked about Austrian membership in the International Currency Agency. During the first long intermission, we walked up and down in that beautiful hall next to the bar. We walked up and down and talked about this and we continued the discussion later at the big industry ball. I could see that he was gradually being persuaded. The next day, I received a call from the Chancellor's office. It was Mr. Michelski calling. Henry, I want you to be the first to know, we have decided we will join. Here is a wonderful example of how a social occasion especially an opera brought about an understanding. Now other posts cite the golf course or whatever.

Q: Burma and Djakarta. Well, Henry, then you left Austria and were off for Djakarta again. How did that come about?

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BARDACH: Well, it came about because I had been an East Asian specialist. Of course, the personnel people saw this. I had for many years been interested in Indonesia. I had worked on Indonesia many times back in the bureau. I was not uninterested in other things either. There was a strong possibility in my going to Hamburg, Germany, as Consul General which I would have liked too, but as it was pointed out to me in terms of substantive challenge and responsibility, a position of Commercial and Economic counselor in a class 1 post with the rank of Minister Counselor, would be perhaps even better for me. Then that assignment was offered to me, and I took the assignment, and we went up to Djakarta.

Q: You were in Djakarta from when to when?

BARDACH: We left Vienna in the late summer of 1976. It was a three year assignment. We extended a year, and we came back in August, 1980.

Q: What was when you got there the '76 to '80 period, what was the situation in Indonesia as you saw it?

BARDACH: Indonesia in many ways is a crucible for all of our fundamental interests and challenges in a major developing country, especially in Asia. It is very typical. When I got there the political situation had stabilized substantially. Politically, it was a very comfortable atmosphere in the sense that Suharto, the President, came from the military and had been a General at the time of the coup in '65. This was roughly 10 years later, and in the 10 years he had consolidated his political position. There were no major problems in the outlying islands remembering that Indonesia is an enormously large country. Currently it is the fourth largest country in population in the world. From one end, Sumatra, the northern end all the way over to Irian Jaya, or New Guinea, I should say, is the same distance from Bermuda to the California coast. It is a big hunk of territory. The instabilities in the outlying areas had more or less vanished. There were still Moslem extremists in places like Aceh in the northern end of Sumatra. These things were not of any major significance. There had

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been some riots, I believe it was a year before we got there, that were partly stimulated by the presence of the Japanese. The Japanese had gone back into Indonesia in a big way with their business and with investment and capital. Among the students there was some strong anti Japanese feeling, and this led to some riots. Part of it may have been due to the fact that the employment situation was only gradually improving. That leads me to the economic profile, a country that had improved enormously by leaps and bounds in the 10 years since Suharto had taken over. If there was any political agenda that was at the top and had full priority, it was the economic development of the country. That was more important than anything else. That was a very good thing, because the Indonesians had really pulled themselves up by their own bootstraps. They had won the confidence of the international community including the World Bank. They had benefited greatly in 1973 when the OPEC people decided on jacking up the price of oil. That was a benefit to Indonesia a member of OPEC. When I got there in 1976 development was booming. So much so that they overextended themselves for example on tankers to ship oil and liquid natural gas, things of that nature, which exacerbated their debt situation. They had already established such a good credit rating, there had been a debt rescheduling in 1970 which had helped the Indonesians a great deal. They had started five year development programs. They had the so called technocrats, highly educated good economic people. They called them the Berkeley Mafia because most of them we had sent to Berkeley for advanced economic training. They had an intelligent human infrastructure in place to guide the country. That was a great help to Suharto. I could see it. He became almost like an economic manager. His concern was to develop all these outlying provinces to bring in industry, etc. It is a very difficult juggling act, because you've got most of your population in Indonesia in Java, which is a relatively small island. Then you have Sumatra which is much larger, which is where much of the oil is, that doesn't have anywhere near the population that Java has. Then you have all these many other islands. This map only gives a cursory idea; there are 3000 islands in total.

Q: What about Borneo?

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BARDACH: Oh yes. Borneo is very undeveloped. There is oil there, of course. I visited some of the oil fields there in the jungle. One of the things that the Indonesians began to focus on was how to redistribute this population. This led to what was known as the transmigration program. The transmigration program had the blessing of the World Bank and the other AID donor countries. It was experimental to start with. Even today, it is still experimental because it is very difficult to take people from a surrounding they are used to, and ship them somewhere else.

Q: Could you talk a little about the Embassy and how it was run, and the Ambassador and anyone else and how they operated during this '76 to '80 period?

BARDACH: The Embassy was a very large Embassy. We had a very large AID mission. During my time there were two Ambassadors, highly professional people. One was David Newsom who was there when I first arrived. He later became Undersecretary for political affairs. Newsom had somewhat less experience; he had not worked on Indonesia before. He was basically a Near Eastern expert, but he was a real pro. He was succeeded very shortly after I arrived, about a year later by Ed Masters who had served in Indonesia, I believe, at least twice before. He had been political counselor during the time of the coup about '65. Then he came back as Ambassador. He knew Indonesia very well, and he coordinated very effectively with the various components of the Embassy, and it was a big Embassy with a big AID Mission. The AID Mission had at various times at least 80 people. This created for me a big challenge because both Ambassadors wanted me to have a very close relationship with the AID Director. I don't want to say to be a watchdog, but to be in an executive position vis a vis the Director. This made for some very interesting situations, because when you are running a big, sizable program with a large staff, it is kind of difficult to direct. I had a big section too by Embassy standards. With Americans and locals in the commercial set up, I probably had something like 25 or 30 people. Compared to AID, AID was big. That was a major challenge. I went on a number of very interesting field trips with the AID Director. We were good friends, and this was useful in advising the Ambassador

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as to where we should brake a little or move forward. When you are dealing with a country like Indonesia with its problem of population etc., it's almost like a bottomless pit because there are so many things you can do: irrigation, rural development. We had a very major family planning program. These were all useful activities. I became very much involved, of course, as Economic Counselor in investment problems, in the whole issue of improving the investment climate, in persuading the Indonesians that they've got to be clearer and more distinct in outlining the various precepts for foreign investment. They had an investment coordinating board that we worked very closely. The Embassy was instrumental in my time in getting a complete revision of the mechanism to approve foreign investment and to have a well organized list of various sectors of the economy which were open for foreign investment and the ones that were not and this kind of thing. It was an extremely busy post because there was a large American business community in Indonesia. The incoming Economic Counselor was made an ex officio member of the board of the American Chamber of Commerce in Djakarta, so that there was a great deal of commercial activity which was very worthwhile. During my time we promoted and we got Commerce to do a trade exhibit. We had two trade fairs. The first one was at the Djakarta Hilton International Hotel; then we had a larger one. These were all designed to promote the economic and commercial presence of the country. That was a major aspect of our work.

Q: What about the problem of corruption? By this time trade policy directives were getting burned by Lockheed contracts and Japan and elsewhere. We were having the laws get stricter in what we could do. How did you find this in Indonesia?

BARDACH: Well, consider the reputation of corruption that the country had. It was the most frequently asked question by visiting people who came through to be briefed by the Ambassador, by myself, or others. You have to define that term rather clearly. The kind of conflict of interest philosophy that we adhere to in the Anglo-Saxon Western countries simply doesn't exist. The value system these people have is somewhat different. That is not to say that in order to accomplish anything in Indonesia you had to go and bribe people

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outright or things like that. The situation in Indonesia was complex. Under the Dutch, when they were still the Dutch East Indies, the Dutch operated with the feudal, if you will, laws the various sultans around the country who were the principal chiefs so to speak of their particular areas. The relationship with the sultans was I think very much dependent on mutual financial and economic support. I think that hung on especially with the people in control. The people who had some economic interest or some economic power expected to be rewarded for cooperating in these endeavors. So, that hung on; it wasn't something they invented when they became an independent republic; it was something that was already there. Then you had the kind of a social attitude in that the employees are not paid well. You have a country that has some degree of poverty. It is not as much as it used to be, but still. When you have terribly low paid government employees, low paid policemen, low paid everything, and in the business establishments low paid employees, it is more or less taken for granted that some kind of additional support, in some cases we might call it bribery or whatever you might want to call it, it is taken for granted that this is one way the chiefs and the bosses can help their people by allowing them to accept additional fees for whatever it may be. That starts with getting a ticket from a policeman or going to get your drivers license all the way up through the system. But, when you get to the big ticket item, when you start doing business with people, its quite clear that it wasn't absolutely essential that somehow or other payments would have to be passed. But you had to get to know people. You can't walk into an Indonesian business or an Indonesian Government office and expect to get results next week or next month or even next year. It is a relationship that has to be developed very slowly. That means taking people to lunch or doing this and that, and you have to work at it. I think one of the difficulties that American companies have is that under the Foreign Corrupt Practices Act, certain things are not permitted. That at times is a handicap to them I'm quite sure.

Q: When did that act come into effect?

BARDACH: I don't know the exact date, but I think it was during my time in Indonesia, towards the end of the 1970s. I think our business community was always very

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circumspect in handling itself in that type of a situation. I think most of the companies didn't care for the act. It made much more paperwork for them. They had to submit annual reports, and of course, it is very difficult when one of the things that happens in a country like Indonesia is that you have certain powers, key top business people, and in order to work with them they very frequently make side deals. You may have read about the family of the President who had their hands in all kinds of business enterprises. You come in with a certain investment, and word is passed, we'll approve the investment, but you've got to bring in so and so into partnership.

Q: Mrs. Suharto is involved.

BARDACH: She passed away now, but she did. I suppose this is a situation not dissimilar from many other developing countries. My point is sure there is some in the strict puritan definition of corruption there is some, but the Indonesians don't consider some of the things they do even from the ministries are not considered conflict of interest. Some of the things that happen in relations with lower ranking employees, they consider them as social transfer. If you come in and have to pay more for certain things, that is a social transfer.

Q: Did you find yourself pushing American tobacco products while you were there?

BARDACH: No. That was never even an issue.

Q: How about American investment overseas? It seems like many of our companies are depending on which way you look at it, are looking for investment opportunities overseas or transfer of jobs. Making shoes, shirts, there are chronic products. Did that get you involved?

BARDACH: Only in one area. We had the familiar problem of textiles that began to rear its head during my time. Our initial problem with the Indonesians and a very interesting one, was they were shipping a great deal to the United States mislabeled. Which was not really Indonesian origin. The stuff, sometimes finished products, sometimes unfinished that

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were completed in Indonesia, and then they put on there "Made in Indonesia". That was an attempt by other countries, Thailand, Malaysia, Hong Kong etc. to circumvent the restraint quotas that were in place. We had to negotiate an origin system whereby the Indonesians would certify that the items really had come from Indonesia and that took some doing. That was a precursor to them adhering to the International Fiber Agreement which put them into a quota situation. During that period, a lot of American investment came in, not only American but Japanese investment in consumer goods, shoes, things of that nature.

Today is 13 January 1997. Henry, let's start with the economic side, particularly with the trade promotion.

BARDACH: I'll be very happy to give you the whole broad spectrum because as I mentioned the last time, Indonesia in a way is a crucible for all the main economic issues that we faced in the world at that time. It is somewhat the same today although at different magnitudes and levels. I had worked on Indonesia already in the early '50s. One of my main assignments was to work on Indonesian economic matters so that I became familiar with the whole spectrum of the economy of the country which, of course, at that time was the leftovers from Dutch colonial days and was trying to lift itself up and obviously needed a great deal of help. At that time, I believe I mentioned all of our negotiations on AID matters which were dicey because of Indonesia's pro-western neutralistic stand. I had the fascinating experience of arranging the first line of credit that we gave to the Indonesians way back in 1954 which was a \$100,000,000 line of credit from the Export Import Bank which at that time was a great deal of money. It was something the Indonesians appreciated very much because they could use it not just for specific loans, but they could use it to draw down to help them with essential imports or whatever. Be that as it may, Indonesia by the time I got there to head up the Economic and Commercial sections, had become one of the largest AID recipients in the world. It received a lot of attention through a mechanism called the IGGI which was an international group on Indonesia still

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chaired by the Dutch with help from the World Bank. Almost all the European countries were members; the Japanese were and still are and it provided a multilateral mechanism to funnel a great deal of assistance into Indonesia. By the early 1970s Indonesia had gone through a very important economic revolution. The Sukarno era was over. It had been an era of nationalism with a great deal of attention to Indonesia's role as a leader of the non aligned world and the non aligned movement. Sukarno, of course, initially was a very charismatic figure, and he was a great leader, no question about it. He accomplished really the basis for independence. He was the independence leader. As the first President, he assumed a very autocratic role; although, there was a modicum of democracy, a Parliament and all of that.

Q: Excuse me, Henry. I wonder if we could move to what you were doing at that time. I think the person coming here will be able to pick up where it was.

BARDACH: All right, I'll jump ahead. Sukarno by the time he died, and he was more or less deposed, had left the economy in a great deal of shambles. General Suharto, the new President almost immediately emphasized economic recovery and economic development. It is to his credit, aside from other comments one might have about his present role and all that, that he got the economy back on its feet. However there were problems that had arisen because of the sudden oil price jump, the OPEC decision. You have to remember that Indonesia is a member of OPEC although not as significant a member as the Mid Eastern countries. The price of oil had increased in '73. This sort of followed me throughout my career because you remember I talked about that in Vienna. That was a big flap at OPEC headquarters. This benefited the Indonesians a great deal, but it also led to some excesses in expenditures particularly in the in the oil sector and the State oil company Pertamina. In 1976 these significant financial problems had come to a head as I came in. They created a considerable amount of strain in Indonesia's relations with the international financial community and with us as well. Now, the challenge of the economic and commercial work was really quite enormous because here you had the oil sector; here you had the third world issues; here you had a great deal of interest

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and pressure in Washington to make us more competitive in an export sense. You had all of these things coming together. My section was by far the busiest in the Embassy aside from the AID Mission with which we worked with very closely. It wasn't that there weren't any political issues, but the political issues were much more quiet. They were under the surface. I will get to Timor in awhile. I'll stick to economics. One of the immediate challenges was to get ready for a meeting of the international, inter governmental group on Indonesia, which traditionally always met in Amsterdam. I was asked by the department and by the Ambassador to attend this meeting. I'll digress here for a moment. It was interesting that one of the things that impressed me was that when we got to Amsterdam, we had pretty much a consensus in our own delegation which was an inter agency delegation, as to what we would be able to provide in terms of our annual allotment of AID to Indonesia. It included PL 480, surplus agricultural commodities, and other kinds of assistance. We had some private meetings with the Indonesians which always looked to the United States as being a particular friend, a good friend, and one that would support their own endeavors.

Q: So you were in Amsterdam going to this meeting.

BARDACH: In Amsterdam. This was an international meeting. The meetings themselves were always attended by high powered financial people from different countries and from the World Bank. They were closed meetings, but there was nothing that could prevent other bystanders or visitors to come and seek us out in the lobby of the hotel. I recall there were a group of young people, I think most of them were Dutch who were in the lobby, very polite, very nicely dressed, but they would come around and they would seek us out. They were with the international human rights organization, Amnesty International. It was the first time I became aware of the public dimension of the human rights issue. At that time, again this is slightly digressing or jumping ahead here, but I'll get back to the economic, the concerns were more about the prisoners that were still being held by the Indonesians. People that had been detained or imprisoned after the coup in '65. Here we were already in the '70s. The concern was that there was still a great deal of

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heavy handed procedures. The Indonesians were very slow in releasing these people or bringing them to trial and dragging their feet on this. This was one of their principal concerns of the human rights side of our foreign policy and of the human rights, the private like amnesty people who were willing to sit down and talk with us about these concerns etc. The suggestion was that we should pressure the Indonesians more in this area. I'll leave it here right now and go back to the economic side.

The oil sector was significant; although, compared to some of the Middle Eastern countries, the daily per barrel output of Indonesia was very much smaller than in countries like Iran or Iraq or Saudi Arabia. Nevertheless, it was quite significant because Indonesia was supplying Japan, of course, and some of the other countries in the East Asian area, and are still supplying some oil to us. What we call the oil patch was very big in Djakarta. It was very much part of the local decision making diplomatic group of the business group. The oil people had their own club which was called the Petroleum Club which was very close and convenient to the Embassy, and had a nice swimming pool. I had no problems becoming a member there as the American Economic Counselor. On the whole, I would say the relationship between the Indonesian Government and the oil sector was a very good one. Excellent relations helped along I would say by the role of the Embassy, by the Ambassador. The issues that we ran into were there were really a couple of them that were potentially explosive and were a very important part of our relations with Indonesia at that time. One was the proposed shipment of LNG, liquid natural gas, to California. This was primarily the Mobil Oil Company which had sunk billions of dollars into a liquid conversion plant in Northern Sumatra. Mechanically a most enormous undertaking, it almost boggles the imagination what technology and scientific work went into this. Together with tankers, huge tankers that would ship this liquid natural gas to wherever it was destined to go including the United States. The California power people were very much interested in having this come to our country, to import this liquid natural gas. Now mind you that is quite different from crude oil. It is in liquid form and it is a kind of a gas. It is a natural gas, but it is a form in which it can be transported. Extremely complex

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technically, financially it is an expensive proposition. This was an enormous lesson in the intricacies of bureaucracies and the intricacies of pressure groups in the significance of the financial backers and of the lawyers. This project did not just involve the power companies from California; although, they were on our doorstep continuously. I got to know them almost like my brothers. It also involved the financial companies, the financial advisors, Lehman Brothers in New York with their special people etc. To get the licensing, to get the approval, to get the various supervisory commissions here in Washington to go along with this, to get the state and local governments to go along with this because, of course, it would require a special landing dock and landing pier and all of that, was a matter of great difficulty. Environmental groups, of course, including the official environmental agency here in Washington which had to pass on this as well, were, of course, pressured in many different ways. There were many people who felt that this was dangerous, that it was going to be environmentally damaging, and as you might well imagine, one of the main groups that was antagonistic was the Sierra Club, especially the California chapter. They were very much against it. Then lo and behold, the place where they had planned, I don't remember the name exactly, to build the receiving docks for these enormous LNG tanker ships happened to be a territory in which there were some old religious considerations that had some Indian spirits that were very significant. There was a group of people that were actually opposing it because of religious reasons which may sound very funny, but this is the way the world goes. Anyway, to make a long story short, this went on over a period of years. In the meantime, the price of oil began to drop again.

Q: This was a product of the tremendous rise after the '73 war. This enterprise for liquid natural gas was a product of the rise in prices.

BARDACH: It was an effort to find substitute energy sources, of course, but also, I can't certify this, but I believe the general idea had already been in the back of people's minds. I think the Mobil people which did a tremendous amount of exploration and technical work in this area, were very much hoping they could get this relationship with the State of California to bring this to fruition. The other problem that came along; the price differential

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narrowed very substantially between LNG per barrel or whichever way you want to measure it and crude oil. Then the Mexicans and an American consortium built a pipeline for gas coming up from Mexico into California. So good old competition, that was another factor. No one in his right mind here in any of the regulatory bodies would have said no you can't build a natural gas pipeline. We've got them all over the place. So a great deal of effort and expenditure of monies by the companies and a great deal of effort by the Embassy here to bring this about. We felt it was a strengthening factor in our relations with Indonesia if we had gotten this up. By the time it got to a point where we might have been able to get this thing through, even over the opposition of the holy spirits and the environmental groups and all of that thing, it was too late. The power companies in California decided it wasn't economic. It became economically unviable. This was a major issue. Another issue was the issue of the oil companies' profit sharing arrangements which had been based on set principals for quite a few years. The Indonesian oil company Pertamina with which all of these arrangements with the other oil companies, Cal Tex, Mobil, Tangguh, the whole shooting match, they threw down the gauntlet. They said, well, beyond this certain period, we're going to have to make a revision and change the system with the obvious intent that they, the Indonesians, should be given a much larger share of the oil. The way that is done is that a certain amount of the oil remains in Indonesian hands so to speak. They have the right to sell it, negotiate with it. It is kind of like a profit sharing. In this case it is called production sharing, and the ratio was altered very substantially, but not until after very touch and go negotiations in which we tried to leave it up to the big oil companies to work these things out. But as always happens at some point when the going gets tough, they come to Uncle Sam. They have kept us very closely informed here in Washington, and of course they were with us almost continuously in meetings through the American Chamber. We were always kept informed, and the Ambassador was kept informed. It got to a point where the talks almost broke down which would have been a serious matter, both for us and for the Indonesians if suddenly production is slowed down and comes to a halt and the whole relationship disentangles. That would not have been a good thing. I recall very distinctly it got to a point where

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the presidents of three of our major oil companies came together to Djakarta. This is almost unheard of because the oil company presidents even though they obviously are together, they are part of the same industry, avoided for anti-trust reasons to have this kind of a gathering. This was an instance where things had gotten so tense and difficult that they decided they should come and have a joint meeting with President Suharto and our Ambassador, Ed Masters. Here we had Texaco, because Cal Tex was the operation arm of theirs. We had Standard of California which is now Chevron, and of course the president of Cal Tex himself. We had these three big fat cats, and they looked like it too. The president of Texaco, I forget his name, was a big tall Texan, although he lived in New York. Here we had them together. The Ambassador and I, we discussed how shall we handle this, and so we decided we would have a lunch. We had lunch with these presidents together. It was a unique occasion; we talked about how we would handle this, and after lunch we had some of the Indonesians come in. It was one of these situations where you really had the feeling that you were in the real world. This was real; it was important not only to the oil company relations but to our relations. The oil sector, of course, generated a great deal of imports, and we didn't have too much to worry there because this was kind of a self generating kind of thing, oil well equipment and all that, an enormous number of supply companies, so the oil sector we didn't have too much to worry about. What we had to concern ourselves with both in terms of policy and in terms of practical trade promotion and investment promotion was the need for the Indonesian economy to diversify itself away from oil. In the mid-'70s during the period when I was there, this really became a major issue and there was a very discernible shift in the attitude of the Indonesian Government, and not just the attitude but practical things they were trying to do to diversify away from the oil sector. This was in a sense also a fairly gratifying situation in our relations with the Indonesians because they had what was known as a group of technocrats in key governmental roles. These people worked very closely with the President. In fact, the President had a special economic council of all the economic ministers. They would meet regularly every week together with the Finance minister, the Trade Minister, the Central Planning Minister, the Manpower Minister, the Energy

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Minister, and the central bank people. I had the good fortune of being the neighbor of the deputy Director of the Indonesian Central Bank. A very bright economist, a very smart hard working man, and it was good to be his neighbor because I got to know him. We got to know each other almost immediately. I made a point to cultivate him, and it was useful because I would pick up a lot of little rumblings. Some evenings he would call me or we would have a chat together in the garden, and he would be able to fill me in. I could see from that the enormous significance that Suharto ascribed to the development of the country. I wouldn't say he was less concerned, but the autocratic way they organized their parliament and their political system did not allow for what we would call democratic flexibility. But, that was not his priority. He felt that political stability cannot take place unless there is economic development. They had started already in years prior to my arrival a series of five year programs which they called Rapolitas, and this was a blueprint for development and it was a blueprint for diversification. The people who were running the show at that time and I believe still today too; although, the old timers have gradually retired and fallen by the wayside. Regrettably by the way, because these were people all trained, many of them had been trained by us. We had been wise enough in the after war period, in the independence period to come forward with all sorts of scholarships, Fulbrights, the thing to bring people to this country to study, which is not only a good way to make long term friendships and develop long term ties, but it also helps in the development of the country itself. Indonesia, I think, is a classic example. Mind you, not all of these people were the Berkeley Mafia; although, they were known as the Berkeley Mafia. Many of them had also studied in Holland and in Germany. My neighbor, for example, had his Ph.D. from a university in Western Germany, and he'd also studied in Holland. These people went about their task in an extremely professional way and managed to get Indonesia, by the time I got there, to a state of where they were really taking off in their growth rates and where they were really moving ahead in pushing other kinds of exports. Of course, they were moving into textiles too, which was inevitable. All these developing countries, one of the first things they move into is textiles. The difficulty with a developing country society especially a newly independent country is that they take

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their own sweet time about things. The whole concept of time is quite different than ours. They take things much more leisurely, so that if you go and discuss a certain issue with them and development problems whatever it may be, family planning or rural development or whatever, you can't expect them to drop everything and say, "Oh, wow! We are going to do this right away." It takes a while for things to trickle through. The worst thing we Americans can do, and I think it applies today as it did then, is to expect fast action and to pressure the people who run the country into fast action because they are not apt to take fast action. There had been a few things where they eventually did take somewhat more rapid action like in streamlining their customs administration which was hopelessly inept, antiquated, and corrupt. Things like that I would say they moved on faster than on other things. One of the things the Ambassador and I always counseled the American business community and especially American business people who came out was if you put Indonesia on your itinerary and you hope to invest there and do business there, don't expect to have results from a two or three day visit to go and look and say hi and meet certain people and go running off again. That's not going to work. You are going to have to stay put for awhile. You are going to have to come back many times. You may have to have a local stringer or joint venture partner to help you in this because otherwise it is not going to work. Above all, you need patience. Patience was also a guide word for the Embassy and for me and for my staff. You made an appointment with somebody in a Ministry or even one of the Cabinet level people, and I did get to know quite a few of them rather well. Don't expect that they are going to call you back right away and say OK, come on over tomorrow morning at ten o'clock. It isn't that simple. It may take several days before you get the call back. It may take another week or two or three weeks before the good man can see you. This is a cardinal principle in dealing in an atmosphere such as that, and it isn't one that was easy to get used to. Now, issues.

Q: I'd like to go back to the oil people. In the first place, what was your impression while you were there of the oil Ministry and of the people in the Government oil firm and all? Were they in that period still feeling that they were riding high and still in control of things

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after the OPEC move of '73, or were they beginning to feel the pinch of the stabilization of oil prices and all that?

BARDACH: I think they were beginning to feel this. In terms of riding high, I don't think they ever felt the same kind of elated and superior spirit that you had from the oil people in Iran and Saudi Arabia. Indonesia never produced a person such as Yamani who was the famous Oil Minister in Saudi Arabia, an Oil Minister who pretty much influenced OPEC for the time and who was one of the key players in the '73 war and the big rise in the oil prices. Indonesia is a Moslem country, but it is a different kind of Moslem country. You are dealing with a different type of personality altogether. They are not Arabs; they are Indonesians. They are Indonesian Moslems so they have a different ethnic background. They never felt that they were the kingpins in this because among other things their daily production of oil was considerably less than the daily production of most of the other countries. An interesting sidelight, by the way, in Indonesia, I don't remember exactly the figure, 1,500,000 barrels a day that they produced, they actually had the smallest daily production of all the OPEC countries, but the largest population.

Q: We are talking about the fourth largest in the world or something. The impact, they weren't a bunch of people running around with Cadillacs.

BARDACH: You didn't see that. It was not that way. Also, if anything, the people in the Energy Ministry, again I would say they were very professional, very reasonable. They did not play a major role in influencing the decisions of OPEC. They played a role, of course. The Minister, who had been Energy Minister for two or three years, became the head of OPEC. They actually elected him because he was a very responsible, well educated, reasonable person. They obviously began to feel the pinch when the prices began to come down again. This is a good point to discuss another major issue that occurred, namely the Pertamina tanker scandal. There were a group of very high riding Indonesian business people. The head of Pertamina was an engineer, bright guy, a very dapper guy who had his hands in everything, and because of this enormous increase,

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windfall, that occurred because of the '73 price increase, they suddenly found themselves with financial resources far beyond anything they ever expected. Pertamina as the so called national oil company, decided they would move into quite a few other economic activities. Among those were the shipment of all oil products and the acquisition of tankers. So, they made deals with European tank builders and some Americans as well. They over extended themselves tremendously by ordering just a huge fleet of tankers which went into billions of dollars. They find themselves, again somewhat analogous to this natural gas business, a few years later with a drop in the oil price again and a really tremendous financial crisis because they didn't need all those tankers. They had to cancel some of those contracts, but they were left hanging with the bag to pay for these things. This precipitated what could have been a very serious financial crisis. The Indonesians handled it extremely astutely with the help of this group of technocrats and full backing of President Suharto. The Central Bank came to bail them out. This was at the cost of a serious reduction in reserves and all of that, but they made it. They managed it very well without hurting their international credit standing. Now, there is something else here that is significant that helped Indonesia a great deal. You never had an issue in Indonesia with foreign exchange controls. It was not a system of autarchy in terms of controlling exchange rates and controlling exchange reserves. In other words, there was a free flow of capital. Indonesia early on, I think it was in the early '70s or thereabouts, decided that the best way to deal with its economic development was to open capital markets, to allow profits to be repatriated, and to make the exchange as available as they could for imports and all of that. At least on the financial side, they were a precursor of what we like to call the open market philosophy, and that stood them in good stead. This had already been completed by the time I got there. There was a massive debt rescheduling that was organized by an international group, by the World Bank people and the IMF, something known as the Paris Club. This was later on emulated for many other countries around the world, a debt rescheduling exercise which on very good terms delayed the repayment of these substantial debts that had taken place. This helped the Indonesians a great deal. It provided a very solid credit rating base for them. This was

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also very helpful in drawing attention to the opportunities for investment. We spent a great deal of time in the Embassy on the investment questions and drawing American attention to the investment opportunities. It was not like mounting an advertising campaign since Indonesia, because of the oil sector, had been a known entity, not like some other small countries in the world where you have to go plugging away. On the other hand, there were tremendous handicaps because of managerial inefficiencies and kind of strange attitude that came to the fore. We heard about these from the American business community. They would knock at our door, and we would have regular meetings with the American Chamber of Commerce which became a growing entity. In my time, I think the membership doubled, and they were a very active group. The basic problem, there were really two. One was that the BKPM which was the name for the investment coordinating board, was really an inefficient operation. It was just operated by a handful of people, and every new investment had to go through this coordinating board. They in turn would have to bring in other ministries to get their opinions and their rulings. It was kind of a hand to mouth operation. If you came in and wanted to go into a joint venture with an Indonesian company to manufacture toothbrushes, you know, it wasn't a very simple process at all. Nobody would be able to tell you right off the bat, is this one of the sectors which we are open for investment or is this something reserved only for Indonesians and what's the minimum amount of investment that is required etc. Well, I think it was primarily the American initiative, we had help from other countries as well, that got the Indonesians to streamline their so called investment approval procedures substantially. Not only did they revamp the entire BKPM and move into a much bigger more modern building and enlarge their staff and all of that, but they also came out with something very important that I think we perhaps invented for them which was a formal list in which they would outline the different sectors of the economy in an orderly way and indicate where investments would be automatically approved, where it would require further examination, how much would be required, whether or not sole ownership would be feasible or though a joint venture and partial Indonesian ownership. It was an effort on their part to really organize it. We kept this in a way by sending out an American investment mission, the first of a couple of these,

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that came to Indonesia. For that investment mission, and it took some doing, it was kind of a last minute thing, we actually got the investment coordinating board to come up with a list of items for which they would like different companies. We told them, well, these people are coming from Ohio, they are manufacturing automobile parts or this and that, so they had some advance idea of where they might be able to match their own desires with those of the American potential investors.

Q: This is tape 8 side 1 with Henry Bardach. We are talking about the mid '70s now, aren't we?

BARDACH: '76 '80 was my assignment.

Q: I've heard later, I mean there has been a lot of talk, the Suharto regime is getting old; we are talking about '96 now. One hears that Mrs. Suharto got her 10% off investments and so on. When these investors would come along, was corruption as much of a problem then as it is apparently now, and what would you tell investors?

BARDACH: We told investors and people wanting to come in and do business in Indonesia that there was absolutely no reason why they should not go ahead, and that it was certainly quite possible to do business there without resorting to deals or shall we say payoffs that would be contrary to our Foreign Corrupt Practices law. There were indeed, I don't know them anymore by heart, it was 20 years ago, quite a few American investments, new investments that came in, that worked out very smart and very smoothly. Like in any developing country society, Indonesia had its power base, its influential business people who had the contacts. These were kind of go betweens, and you frequently would have to work with them. The go between, having an agent do something for you isn't necessarily corrupt. You've got to remember that. Where the corruption comes in is if you get an agent who is prepared to pay off a certain minister or what have you in order to get permission to move ahead with a particular project. That could be construed as corruption. I'm not aware that, at least during my period, this kind

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of thing was happening. What was happening, to go back to your question, was that the first family kept its foot in the door so to speak in terms of new things that were happening. In other words a lot of the economic decision making was kept in the palace. There is no doubt about it, Mrs. Suharto, she is not living any more, she passed away, had her own business interests, and all this has been passed on to the sons as well. The sons have been very active in the business sector, and there have been all sorts of stories about how someone wanted to start a certain business or somebody who already had a good going business where the sons sort of injected themselves into it and sort of said hey, we've got to have a piece of the action. No doubt that some of this has been going on and presumably continues to go on. There are a few business people of substantial prominence that are ethnic Chinese who have become Indonesian, who are very well placed with the palace and are people of substantial influence there. For example, it is generally known that one or two people had control of the timber industry. That kind of thing can become very troublesome because if concessions to the lumber manufacturing and the whole timber industry are controlled by just one or two people including the ministry that stands behind this, of course, plays ball, then you can get what you might call an uneconomic allocation of resources because decisions are made just to the tune of a handful of people. This incidentally led to a great deal of difficulties. I spent a great deal of time on a number of these what you might call commercial cases, but the big one was Weyerhaeuser. I would not classify it as corruption or anything of that sort; they just had a very difficult Indonesian partner. Weyerhaeuser was the big American west coast lumber company; a very big and influential company. They were doing quite well, but they were having a great deal of problems with their partner. They came to us and sought our help. Basically there were legal issues involved here that we couldn't do anything about. It is the old business that you have to leave it to the private parties to resolve these issues. There was no question about it, there were influences in the background here that might be traceable back to political pressure and what have you. They did eventually pull out. Weyerhaeuser is not in Indonesia anymore; they gave up their relationship there. So, the advice we had, and I'm sure we still have today, is that it is not absolutely necessary that

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you try to get ahold of one of the sons of President Suharto in order to become successful there. What is necessary is number one, patience, trying to find a really decent honest partner, and doing the right kind of things. Under our laws which are frequently somewhat exaggerated, you couldn't even operate in Indonesia because you couldn't even take somebody to dinner. You know this business where people on the hill aren't supposed to take people to lunch and things like that. That wouldn't work in Indonesia because socializing and even nice cordial gifts, I don't mean diamond bracelets, but courtesy gifts to the wives of officials or your partner or whatever, this sort of thing is very important because you can't generate a friendly atmosphere by just going to visit somebody in his office. You've got to do much more, and you've really got to win the confidence of these people. That really is the situation; I'm sure that is the situation now. Now this, of course, can become more complicated. You already suggested that the presidency is a bit creaky. I shouldn't project into the present; that is not the purpose of this. At the time I was there, there already were the stories about Madam Suharto getting involved and the sons getting involved. There was no question that was going on. It did not act as a deterrent to the growth in American investment.

Q: Did you have problems there which would have meant coordination with the Consular Section with American businessmen and business women coming to Indonesia and getting involved in things, you know it could be for a traffic accident or anything else. Were American business people getting involved in legal matters entrapped in Indonesia or not?

BARDACH: Yes. There were some. I don't think that is unique necessarily to Indonesia. There are always cases of businessmen getting into problems or running into legal difficulties and what have you. There were occasionally some instances where, and one in particular involved a large international nickel company, the largest, which had developed very enormous nickel resources in Kalimantan.

Q: This is the Indonesian part of the Celebes Islands.

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BARDACH: Yes. In fact, I visited the mines and got to know the people very well. There was an incident which ran during much of my time when I was Economic councilor out there. The president of the company known as INCO had run into a dispute with one of his senior staff people. It was a major operation involving millions of dollars. They had their big nickel exploration and the mines were up here, but of course, their main headquarters were in Djakarta. The president there had a dispute. Without judging the merit of the dispute, the dispute was one involving labor practices etc. This fellow, an Indonesian, was very difficult to get along with, and of course, the president of the company was an American resident in Indonesia, decided that they had to can this guy. Fired! After all, corporations do fire people over disputes. This became a major case because this man went ahead and took the matter to court, the legal system which again is a subject by itself. They decided they would make a criminal case of this, rightly or wrongly that the president would have to be tried criminally on this. It became a very nasty situation in which the Embassy did get involved in this, not the Consular Section, the Ambassador himself. This was a major thing, and it took a couple of years or even more to get results because there was a possibility here at one point that this American executive would have to go to jail and pay some enormous fine. It was a nasty situation. Eventually with the help of the Embassy, especially the Ambassador, the case suddenly disappeared because I think the Minister of Justice injected himself into this. The legal system is still quite antiquated and the shenanigans back and forth is something you can only use your imagination on. I'm sure there is a lot of graft in the court system.

Q: And local pressures.

BARDACH: Local pressures, the usual. So, yes there were instances of this type. Another one of many subjects we were engaged in and tried to bring about changes was the whole question of a commercial code. This is very important because investors want to know how they are going to be protected. They can have a certain amount of protection from the organization that was set up for that purpose in the World Bank. Then, of course, we had

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our own investment guarantee program and things of that sort. When all is said and done, the best insurance for a foreigner in another country if you are in business or whatever, is if the laws can be implemented effectively to protect the foreign investor. There was very little of that. Again, I understand that this has changed very substantially in recent years. There has been a lot of progress made in legal protection for foreign investors and also the whole question of copyright and intellectual property. The Indonesians, of course, although sometimes reluctantly, have gone along in our efforts in the World Trade Organization. This has been a big subject in our negotiations in the World Trade Organization. The most glaring example of some of the problems that we've run into in Asia, of course, is the whole question of the compact discs and tapes that were being copied in China. Well, we haven't had anything quite that serious with the Indonesians, but we wanted to get the Indonesians to come aboard obviously to prevent this sort of thing from happening. I think we've done reasonably well on that score, certainly better than with the Chinese.

Q: Well, Henry, let's turn to human rights. Obviously you were in the Economic section, but this had its, you were part of the country team. East Timor and other problems. How did that work?

BARDACH: OK. Human rights were a matter of considerable concern, and we all of us, the country team spent a considerable time on this issue because there were considerable pressures from Washington. Remember that my time more or less coincided with the Carter Administration, and of course, Carter gave this issue a big push. He had the Assistant Secretary, Pat Derian was the Assistant Secretary. This issue became significant in our relations with the Indonesians. It was a matter of style and approach rather than of substance. Although there are obvious reservations on the part of third world countries as I'm sure Miss Derian would agree, there are great limitations in dealing with this issue in all of Asia certainly because their whole historical development and mentality is not like ours. This makes it very difficult to raise issues of this type. I think they frequently feel this is a matter of their own internal politics. Therefore, they raise barriers. They feel this is their own business; we shouldn't be concerned with this sort of thing. On the other hand,

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there are just as many people in Indonesia, even groups and outspoken personalities who are very much on the side of doing something about human rights. They see it not only a matter of human rights per se, but they see it as also a matter of development of society, as part and parcel of economic development. If you have a larger middle class; if people are better off, they are less likely to be a problem in terms of law and order. Therefore you don't have to take stringent means to do something about it. That is sort of the broader picture. At the time I got there, and then a year later Ambassador Masters came on the scene, the issue was just beginning to percolate, and the issue centered primarily around, as I mentioned earlier, the people who had been imprisoned as a result of the coup in 1965.

Q: These were considered to be Communists at that time.

BARDACH: They were considered Communists. They were placed on I think it was Buru Island. Anyway, there had been a lot of people who had been detained, some of them for perhaps not any reasons at all except for the suspicion that they were Communists or that they had wanted to change the country and the government and all that sort of thing. There is no question that the Indonesians' legal system is cumbersome. The example I gave earlier of the nickel executive, the legal system is cumbersome, and there is a certain inertia or lethargy which just doesn't lead to speedy processes in dealing with such issues. Hell, even here at home when you bring a case to the court, it might take months before you can get a hearing in the court. Well in Indonesia it was twice as bad you know, so that things just didn't happen. This was very much on our minds because there were a number of other programs that we had which were under the Japanese such as the initiation of special tariff preferences, AID projects, positive votes in the international agencies on assistance to Indonesia. The whole bag of types of things where either legally there might be problems on the hill in getting authorization to do certain things or get funds or military training. All of these things come into this. There was concern although nothing specifically happened initially as a result of these human rights considerations. I think there was a strong feeling especially in Washington that we should push the Indonesians

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harder. And they did as a result of efforts by the Ambassador; the Ambassador handled this very astutely. It was very difficult. They did take some action to release some people somewhat more expeditiously than they did before. In fact, it was a large number of people that were released. I don't remember the exact sequence of events that led up to the visit of the Assistant Secretary, Miss Derian, but she did come, and there were discussions. It is always difficult for someone coming from home who has never been in a place like that to explain the sensibilities, not only the sensitivities but the sensibilities of people and how to approach them. I'm sure she found this quite educationally interesting and also not easy to carry the message of the US Government. Eventually, I think on the whole we had some successes in persuading the Indonesians. They realized we really cared about this and they'd better let some more people go.

Q: I'd like to catch the attitudes of the time. I was in Korea about this time, and human rights were high particularly because we had such a large missionary as you well remember from Korea. Particularly on the Ambassador's side, Dick Snyder, among others and I suppose even myself, we were particularly concerned with the massed army that was sitting up within 30 miles of Seoul in North Korea. In a way we were saying this human rights business is fine but we can't over press this. I think there was a normal reluctance in the Foreign Service to engage in human rights. It happened, but this was the first time it was really being pressed, and Pat Derian in the eyes of some was considered to be a wild woman who was running around and there was nothing else to do. So, that was the absolute focus and to hell with everything else. Do you recall how the idea of her coming was received by the country team and how you dealt with this?

BARDACH: Yes, I do recall. I think there was some skepticism. I think you are quite right, there are reservations in the Foreign Service and the whole diplomatic approach about how far we can go and how far we should go in this field. This was certainly the case in our mission. I think that as I suggested earlier, someone without any experience in dealing with a third world country coming fresh and anew in this situation obviously is going to be somewhat handicapped and perhaps even making a wrong approach. What we did, when

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the Assistant secretary came out, before there were any meetings at all with Indonesians, we invited her to come to a meeting with the country team in the Ambassador's office to brief her about the Indonesian situation. Beyond that, Ambassador Masters went with her and they made a number of calls. I think she was in the country several days. The best one to talk to would be the Ambassador himself. It is difficult for me to judge the impact. Our concern was that it might have a counterproductive impact on continued discussions by the Ambassador. He had already had a number of quiet discussions about this, and that it might actually set the process back somewhat either by irritating the people in question or what have you. I don't know if that is the way the denouement came out. If you were to push me and say guess, I would say it probably had a neutral effect. It didn't add anything; it didn't subtract anything. It just underlined the fact that the US Government was feeling strongly on the issue, and eventually, as I suggested, the Indonesians did move on the issue.

Q: Were there any State Visits like Carter or Mondale?

BARDACH: We had a number of high level people. Mondale came to the area. I was very much involved with was the Asian Pacific Council of American Chambers of Commerce which was both commercially and politically an important organization. It still is. They had a meeting that was scheduled to take place, I think it was in Canton, China. They would meet there, and Mondale was persuaded to come and address the American business community. He didn't come to Indonesia at that time. There were other people who came out, Holbrooke, Assistant Secretary for Far Eastern Affairs.

Q: Was there somewhat of a feeling that here we are sitting on a huge country population wise and huge resources and all but was there sort of a feeling in the country team that we don't carry the same weight that countries that are smaller or less important do in Far Eastern affairs?

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BARDACH: Not really, no. Despite the neutral or non aligned status of Indonesian foreign policy, the basic feeling toward the United States has always been a very close and friendly one because, after all, it was Franklin Delano Roosevelt who pushed very hard for independence of the former colonies particularly the Dutch East Indies. It was the United States who welcomed the independence of the Republic of Indonesia. We have always been instrumental either in bi lateral or in multi lateral organizations in supporting efforts to help Indonesia through the World Bank, through our AID programs, through debt rescheduling. It is difficult to term it as a special relationship. I don't think we can go that far. We do have a special relationship with Korea. We had a special relationship with Manila, with the Philippines again because it used to be American and then independent and the war and all that. It wasn't quite that close with the Indonesians, but it was certainly close enough for us to engage in any number of important political issues. I should add here something else that I think is very important and that is the relationship with ASEAN. The Indonesians did play an important role in hosting the meeting to initiate peace talks on Cambodia. They were actually the chair for these particular talks later on.

Right from the beginning I think they felt that our involvement in Vietnam was a mistake and were always hoping somehow or other this issue could go away. Of course, the very fact there was a Vietnam and there was an issue there was a stimulus to the Southeast Asian countries to form ASEAN or what became ASEAN and what is very much ASEAN today. It was originally envisaged as not even an economic grouping but as a political grouping. There was a feeling on the part of Thailand and Singapore and Malaysia and, of course, the Philippines that a certain solidarity by this group to keep political stability and security in the area was a desirable thing. This was something else that kept us enormously busy, was the whole business with ASEAN, the setting up of ASEAN headquarters in the Philippines. Each of the countries set up their own thing for the ASEAN Secretariat. The Indonesians built a big thing in Djakarta for their own ASEAN Secretariat, and then we had the dialogue meetings. I was very pleased. It was one of many very interesting things in my tour in Indonesia. I was invited to be on the US

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delegation to the first economic dialogue within ASEAN. What had happened was that the ASEAN countries together with the other so called observer countries, decided to set up a dialogue relationship. We supported this in order to protect basically our own economic and commercial interests. This meant that every year there would be a dialogue meeting with the United States and ASEAN, the Japanese and ASEAN, the Germans and ASEAN, the industrial countries. The first dialogue meeting was in Manila, and I was on the delegation for that particular meeting. It was significant because it gave us an opportunity to push the things that we were interested in, the investment climates, more open markets, concern about the protection of intellectual property rights. It gave us a platform and it still does today, to promote these interests which we felt were both in the interest of the host countries, and this has been expanded even more now. I don't know all that much about its present status into APEC, the Asian Pacific Economic Council which has become a big thing now and together with ASEAN are the two focal economic points that we have in the Pacific area.

Q: Well, then Henry, you left in 1980.

BARDACH: Yes, I left in 1980, and came home and for the balance of my career for a number of personal reasons, illness in the family, I could not go overseas again unfortunately. So, I spent the rest of my formal Foreign Service career which ended in '85, at home. First, on the board of examiners of the Foreign Service in which I was involved in a number of special projects, especially the changeover in 1980 when the new Foreign Service Act came in and there was a change in grades and all that kind of stuff. Then I went back to the East Asia Bureau, first on a part time basis to help out on the Indonesian desk, and then I became Director of economic policy for the bureau, the Director of the office dealing with that. I was one of the principal advisors of the Assistant Secretary on economic matters. I finished my career in that particular position. No! Sorry! I finished it in '84, but then was asked to take over the directorship of what we now call the office of historical documents review.

Q: Today is 30 January 1997. Henry, before we finish Indonesia, let's do Timor.

BARDACH: My connection was really a very marginal one. As Economic and Commercial Minister Counselor, I really didn't get involved in much. I can tell you something from these country team meetings and other discussions we had with regard to Timor in my time in Indonesia. By '76 when I got there, it had quieted down quite considerably. It did not in any way impact on our day to day relations with the Indonesians as it did in subsequent years when Congress imposed certain restrictions on our programs for Indonesia. We had none of that at all, so as far as our general political relations with them. I don't mean to say that Timor was on the back burner, but it certainly had quieted. There were frequently a number of requests by press people to go there to see what was going on. That was a sensitive issue with the Indonesians; they tried to control who was going in there. I think that what the Indonesians were doing at that time, and we had real evidence of it, was that they did try to put in considerably more economic resources, infinitely more than the Portuguese had done before. Portugal for all intents and purposes had really let this place go down the tube. The situation that was faced by the Indonesians, I think it was around '75 or even before in the early '70s was that there were Communist rebels who were trying to get the upper hand, the Fratelins. This created serious disturbances, and really what you had there in that eastern portion of Timor was a civil war. The Indonesians, quite rightly in my opinion and I think in the opinion of many countries, had very little choice because the Portuguese had pulled out and had washed their hands of it. They had no choice but to move in there and try to restore some law and order. Now, there is no question about it that the Indonesians comported themselves in a rather heavy handed way. The military was I think not under sufficient control by Djakarta, and they just took matters into their own hands. This is where you had these problems which continued, as you know, into more recent years when there were demonstrations, and the military put them down. Basically, despite this tragic record of violence, Indonesia has done a great

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deal to help the Timorese. For example, there were hardly any hospitals at all when the Portuguese left; now the Indonesians have put in hospitals. The education system was practically nonexistent. Even economically there have been great advances because the western part of the island which is Indonesia is a fairly buoyant little economic entity. East Timor really has only to gain by interacting, interfacing with the islands that are around there. It is an unfortunate situation. As I say, there is something to be said on all sides here, but there is very little to be said for the Portuguese. The Portuguese are now negotiating with the Indonesians. What they really want to accomplish, what the purpose of an independent East Timor would be is really hard to figure out. It would provide some separatist community for the Catholics there. There is still a fairly broad Catholic community there. However, they can operate just as effectively and probably even better in the context of Indonesian society than as an independent community which would be very unlikely to receive much economic help. Another example of a little island which I've been to, which is pretty much a Catholic island and has been visited by the Pope once or twice within the last 10 years is Flores. I've been to Flores. It is in the islands east of Bali. It is part of the Spice Islands. In fact, I visited some of the Catholic churches there, very interesting. No one in Flores is questioning that they are part of Indonesia, that they are Indonesian. It is part of the Indonesian philosophy, despite the fact that 80% or more of the population are Moslem, to have freedom of religion and they practice it. They don't just preach it; they practice it. Other religions function in Indonesia. You won't find a synagogue in Indonesia because there are no Jewish people there. There are no Jewish Indonesians, but everything else, Hindu, Buddhist, Catholic, Protestant, you name it, they are there.

Q: You went back to Washington in what year?

BARDACH: I went back to Washington in 1980.

Q: You went to the board of examiners. You were there from when to when?

BARDACH: I was on the board of examiners from 1980 until the end of 1981.

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Q: Henry, could you explain how the Foreign Service, we'll get to the special parts you were dealing with later, but first could you explain how the Foreign Service oral exam and its components were conducted while you were there '80 '81 and your impression of both how it was done, the reasons why it was done that way, and the candidates you were seeing in the normal course of business?

BARDACH: My overall impression was that the entrance procedures for the Foreign Service were totally professional, very fair, and extremely well constructed. I think for any kind of examination for a profession in our country, it is probably the very best. It is seen as such by many other kinds of organizations who have emulated or tried to emulate the same kinds of procedures both in the private sector and in the public sector. The Foreign Service exam is considered a prototype. Much of the professionalism comes from outside agents, consultants particularly the Princeton testing service. The Princeton Testing Service has had a great deal to do.

Another impression I had was that it was in a continuous state of flux, that there was a lot of self examination and self searching by all of us, by the board members as to the best method to follow to make it extremely even handed and fair. Now, part of this, of course, stems from the whole evolution of the testing procedures, the personnel attitude toward what type of people you want in the Foreign Service. When you and I entered the Foreign Service, there was still willy nilly shall we say a certain striped pants syndrome still there, at least in the early '50s when I started. Really, when I came to the State Department there was still a substantial hangover of the old school, the Ivy League, wealthy elements were still very significant. This, of course, over the years has changed very radically. One reason was this continuous self searching and revising of methodology or fine tuning it in every possible way, were the continual pressures if you will, from the equal opportunity watchdogs in the State Department, pressures from the top management to bring in as many minorities as possible under the rules of the game. This, of course, impacted on all of us quite considerably.

Q: What was your experience with the clientele that came in front of you, the candidates?

BARDACH: Well, it was a very mixed bag basically. As we all know, and I certainly observed this or learned this as being a member of the board, not every person who is brilliant in paperwork, i.e., the Foreign Service written exam, not every person who comes out with flying colors in the written exam is necessarily one who does well in the oral proceedings. Now, let me explain this a little bit more. The oral exam now, and I really don't think it has changed that much, the oral exam procedure which is an all day procedure and still contains some written work, puts a very high priority on the person's thought processes, how quickly he can react, how well he can express himself, how organized his thoughts are, what his personality is, etc. You get a completely different picture of the person, photograph of the person. It's a live thing. It's just like you might be interviewing, to get back to musical things here, you might have a marvelous person at least on paper who comes to you, and he's got all the credentials and high marks and everything else, but then he stands up on the stage and performs something for you and it turns out that he really doesn't have the personality to put the particular piece across, the aria or whatever it is. It is somewhat like that in the Foreign Service. You may have a highly qualified person, but he is somewhat short on the element of communication, of getting along, of taking over, and that is the reason I say it is a mixed impression. Now, when you do get someone who has done well all the way across the board including the oral examination, then you've got a viable candidate. One of the issues that was very much alive in 1980 1981, the period I was there, was the matter of how low the passing grade of the written should be in order to sweep in sufficient numbers of minorities, to give them kind of an equal break to get into the service. Well, by lowering the grade, and I don't remember all of the details, but it was somewhere around 70 or something like that on the written examination. It, of course, brought a larger supply of candidates who would come in to take the oral examination, the full day examination. Because of that, you got an even larger variety of quality. I mean there were some people who you wondered how they had even passed the written examination. I want to say something here about why I

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made the comment about how the procedure was fine tuned to make it just as absolutely as unbiased and fair as it could possibly be. The precept was even tightened during my time on the board, how much the interviewer knows about the candidate. The first item on the agenda, at least in my time, was that the candidate would come into a room, and there would be three examiners who would speak with him. Each one of the examiners had certain questions. Usually, we tried to run the gamut of an international relations question, a political question, a question about American history and sociology, economics and cultural, more or less in that kind of breakdown. Except for the name of the person, I'm not even sure that we knew the age, we knew absolutely nothing about that person. We were not given anything. That had been instituted over a period of time; by the time I got to the board, this was already in effect.

Q: I was doing this in '75 '76, and we did know quite a bit about the person.

BARDACH: There was a lot of objection to this, but the feeling by management was that in order to look at a person in a completely unbiased way, you knew nothing about him. It was up to the candidate to try to bring in somehow or other, something about his background. Sometimes this happened, usually to the advantage of the person. For example, if you had a young man or a young woman who had lived overseas or had studied overseas, maybe they were offspring of Foreign Service people, we had those too. If they could somehow or other bring that into play, that would give us, oh, well, this guy has lived overseas, he has some notion of what was happening. That was okay obviously. But as far as knowing anything about the person, that was an absolute no no. One of the basic questions we had on the board, you probably had it yourself when you were there, and a very important question, why do you want to join the Foreign Service? That question was eliminated during my time at least from the oral procedure. There were quite a few of us in a bitter debate. We fought that. I personally fought it too, because at a minimum, I think you ought to find out why the hell is he coming in here. That was quite a bitter debate. Again I don't know where this stands now; I have not had any contact with the board now for 10 years so I don't know if they include any reference to a person's

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desire. Of course, in fairness to the board, there was a way to gauge that aspect of a person's candidacy by reading some of his written replies, but particularly the person had to submit, and still does now an essay on himself and why he wants to, but this is not seen by the examiners on the first round of the examination. We don't see that. We just have certain steps that we have to follow to go through the examination. It is the final board, the final review panel in which I served too. We had final review panels to which this was distributed. The final review panel had the total picture, the results of the oral exam, the results of the written exam, the results of the written essay which was part of the package. The final review panel had access to all of that, also the background check. The final review panel would know if a candidate had some problems in college or something had been dismissed because of drug use or something like that. That would emerge. That was part of the total package. That was not necessarily, the background check had no particular weighting if I remember, or it was a lesser element in the total computation. The written exam had 30%; the oral exam 50%. The oral exam had a higher weighting in the total process than the written exam, and rightly so, because as you remember, the oral exam had not only an oral interview where you went through a whole group of questions but you also had a very important group session so that you could observe the candidate's work in interacting in a group. A hypothetical staff meeting would be set up. I think you have done very much the same, which is a very good technique because you can see how people handle certain issues. You can also see sitting around a table, who is emerging as a leader, which is usually a pro factor. If that person is a leader by being very obnoxious and starts beating up all the other people, you might have second thoughts. If he is really a leader in bringing the meeting to a good conclusion, then that stands him in good stead.

Q: What was your impression of women versus men?

BARDACH: Well, we had good candidates both women and men and we also had some bad candidates among women. I think my impression is if I look over my whole span of working in this establishment, I would say there was a much larger percentage of well prepared competent women than say 30 40 years ago for the simple reason that in those

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years women were less likely to take an interest in this kind of a career. They were not perhaps encouraged as much as they are now because of the knowledge of you know don't go into the Foreign Service; that is a man's world. Of course, all of that by the time I got to the board in 1980, all of that had changed very substantially. There was a very good supply of able women who were coming in. There was, of course, a special program we had for awhile. I don't know if it still exists, in order to again sweep in more women and minorities. We had a program where a person already working in State or the Foreign Service community like USIS or whatever, if they were people who had been working five, six, ten years in the State Department were interested in joining the Foreign Service, there was a method of doing that through lateral entry. This was restricted to women and minorities, and as I say that was a very significant restriction, they did not have to take the written examination; they just had to take the oral examination, and not the full day, just the usual thing, two or three examiners sitting down with the people and asking them questions. I was on a few panels during my time interviewing such candidates, so I did get a chance to see what caliber of women were applying for this. By and large, I found them very well qualified. Here you were dealing with women who had worked for example in INR, and they knew a great deal about what is important in foreign affairs and what is important in the Foreign Service which, of course, a brand new green candidate who comes from the outside doesn't have that advantage. So you didn't have to have such an elaborate test for them.

Q: What about one of the great problems the Foreign Service has always had in recruiting when we are talking about minorities, we are really talking about whatever you call them today, African Americans, black Americans. What was your impression of the candidates and the success of this cohort?

BARDACH: In terms of what?

Q: Really in terms of our efforts to recruit candidates from this particular group.

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BARDACH: I think it was successful. The very notion of minority denotes a smaller group. A minority is a smaller group, therefore mathematically speaking the Foreign Service should have a minority but it by definition would be a smaller group. You can't tilt the procedure of recruiting these people if you are going to have a fair and even handed system. You can tilt that to bring in more minorities to give what some people would argue is an equal opportunity, but you can't do that at the expense of the quality and the standards. At least during my time, there was a considerable effort on the part of the board and the management to keep the examining as fair and as unbiased as possible. That was one reason why we were not told ahead of time where the person came from. In fact, in the morning we would come in and have our coffee and go into the room and get ready for a candidate and the candidate would come in. Up to that point we had no idea if it was a woman or an African American or who knows. We just simply had no idea.

Q: Did you find, I don't know what you want to call it, a reverse bias. You knew there was a great deal of pressure to get more African Americans in. If you had an African American in front of you for the oral exam, did you feel that benefits of the doubt were being given that would not be given if you had an obviously white male?

BARDACH: That depended on the individual examiner. The human element does come into that. I'm sure there were some examiners that were probably leaning over backwards to as you say give the benefit of the doubt. My own personal experience was, especially when we traveled out of town we went on teams. Sometimes our teams included African American Foreign Service officers, active Foreign Service officers who were with us as part of the team. My own reaction I was certainly trying to be as fair and square, and if there was somebody, and I did have cases like that, who was just hopelessly beyond themselves, it was just a foregone conclusion. We would grade them down; it was a matter of course. It is interesting, of course, I think what you may find or could find, is that members of the examination team, the board of examiners, who were minority themselves,

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quite to the contrary what you might think that they were trying to help these people, were pretty much the other way around. They were very tough.

Q: I think this is often the case. I made it, and it was a difficult thing, and you are not going to get a free ride.

BARDACH: Exactly. You had some of this element in there. In fact, there was one instance where we had a very heated debate. It was out of town in another city, and there was a very attractive woman candidate, very good looking, very bright, very smart. I think she was African American. We did have an African American on the examining team, and he was very tough on her. We debated this for awhile.

Q: Moving on to the special projects, what were the particular problems that you were involved in because you hit it just at the time when the New Foreign Service Act in 1981 came into effect?

BARDACH: We had in fact one very important project which was an appeals committee process, under which a potential candidate could request an appeal to personnel in support of joining the Foreign Service. What happened under the law was that there were quite a lot of Foreign Service reserve officers who had been in the system. Some of them not Foreign Service reserve, but most of them were Foreign Service reserve officers. You may remember that under the 1980 legislation, this was eliminated. The Foreign Service Reserve has been eliminated, and I don't think they exist today. I don't think that has been changed. So, you had a fairly sizable number of people who had to be taken care of in some shape or form. The great majority of those wanted to be converted to FSO status. Some of them were on fairly short term Foreign Service appointments; some of them were on longer term. Some of them had been senior civil service officers and had gotten into the reserve system. You remember that in the early days there was a certain amount of flexibility so people sort of hung on.

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Q: And also there was enticements to bring civil service people in because of retirement plans. Although they were reserves, they would still be doing their work. It was to their advantage to be under the Foreign Service retirement plan.

BARDACH: I was asked to head up a small task force to expedite preparing the files and reviewing the files of these people. There were some very interesting people in there, some fairly senior people who had Foreign Service Reserve status. This was not easy. First of all, it had to be documented. You had to find out how much time these people had spent overseas if any. There were some Foreign Service Reserve people who had not been overseas. This was basically the issue. We had to do detailed r#sum#s and employment history and all of these things. Given the significance of this in terms of the person's livelihood, it had to be carefully balanced. I think again, here you had to be very even handed. I think personnel in the final analysis, we didn't have the last word on this, we could make recommendations. I think in the final run many of these people did go into the Foreign Service. Now, there were some who did not have very much interest in this because they did not want to go overseas. You shouldn't give a person a Foreign Service commission if he isn't going overseas.

Q: That was your main concentration during that period.

BARDACH: No it was not. It was a detail. I have the dates here. It was from June '81 to August '81, a two month special detail. Then I was also detailed during that period on a task force that was looking at the things we talked about before, the standards and what kinds of questions should be asked. Also we participated in the preparation of questions; we were all asked to prepare questions on the economic side or whatever for the written examination. That was really in a sense incidental. The oral questions, and here is perhaps a clue, if somebody listens to me at some later point a young man he can learn from that. One of the things we looked for in the oral answers in the presentations and also the written answers was how well a person can organize his thoughts, and how concise and articulate and to the point he will be. He didn't have that much time. It wasn't

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a question of well let me sit back and think about this for a moment. If we gave a person a question and it was usually a current question on a particular issue and we would phrase it in a way as put yourself in the role of Assistant Secretary, and you have to make a recommendation to the Secretary of State on the continuation of most favored nations trade status to China. What are the things you would consider? How would you handle this? What you are looking for is not a big discussion and deliberation. What you are looking for is one, I would take a look at our fundamental relationship with the country and how important it is. Two, I would look at other issues that are important in our relationship with China. Three, I would consider the reaction of the other side, the Chinese. What would they do; how would they react? In other words it was a good clear cut analysis, not too long. Obviously some knowledge of the issue was important. If for example you threw out a question concerning Afghanistan or the Chechen situation and the person would come back to the board and say I'm sorry I'm not too familiar; we had the option then of rephrasing the question or giving him another question.

Q: You left the board of examiners when, or is there anything else we should cover?

BARDACH: No, I think these are pretty much the highlights. I do want to say that I think it was an extremely interesting experience to be on the board. It was a very interesting period because of this changeover that was taking place, but also because of this considerable refresher on being even handed and the arguments we had on such details such as asking why do you want to join the Foreign Service. We lost this argument by the way in the final analysis. Most of the examiners wanted to keep that basic question in there so you could ask a candidate why do you want to come in. It is an interesting assignment. Now, some people consider such an assignment a bit out of stream, not in the mainstream, but I didn't look at it that way. Anyhow the East Asia bureau...

Q: You were in the East Asia bureau when?

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BARDACH: I came back to the East Asia bureau at the beginning of November or mid November of '81. I had been in the board of examiners roughly a year and a half.

Q: You were in the East Asia bureau until when?

BARDACH: I was in the East Asia bureau until the end of June, 1984.

Q: Then you retired.

BARDACH: No, I still had one more assignment which was director of the office of what we now call Historical Documents Review. This was at that time, well it was the long term declassification review, but it was essentially the Historical Documents Review.

Q: Well, let's talk about the East Asia bureau. You were there from '81 '84. This is tape 9 side 1 with Henry Bardach

BARDACH: I came to the East Asia Bureau actually sooner than had been anticipated because it was pretty well set at that point that I would be brought over to the bureau to replace another gentleman in the position of Director of Economic Policy which was an office directorship and the senior economic job for the entire East Asian Bureau. A job that had been increasingly important over the years.

Q: This was the time of the great growth too. The tigers.

BARDACH: Oh you bet, the tigers. If I had to give a heading for this period I suppose to pick up on your question, it was a period of problems and opportunities and fun and frustrations. Anyway, what brought me over sooner, and I think it is worth mentioning here because it shows how the Foreign Service and the policy machinery has to get itself involved in a multiplicity of activities and issues, not always generated by the State Department but by other agencies. What had happened during 1981 is that AID at top levels and of course with the endorsement of top levels in the State Department and the

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White House had initiated a private sector program. Of course, you remember, this was the period, '80, when the emphasis was increasingly on stimulating private investment, private initiatives where we had AID programs. Now, its philosophy evolved over a longer period of years. We always had some little activities and programs that were designed to do this. But, this was going to be a major issue, and this was very much a Reagan idea and a Reagan initiative, partly in response to Congress' concern that countries that were AID recipients should try to help themselves and should develop private industry as much as possible to the extent they hadn't already, they should do this either on their own or with the assistance of foreign capital. This was, of course, very much a Reagan philosophy in order to lessen the burden on public funds. That was the basic thought behind this. In theory, of course, it is a very sound idea. Behind it all is the notion that by having private initiative you stimulate both the economy and democracy. Now of course, this is something we have seen that doesn't work in some countries. It doesn't seem to be working in China where you have an enormous economic explosion of sorts but where you still have, shall we say, less democracy. Anyhow, the bureau was then headed by John Holdridge. He was Assistant Secretary, and the Deputy Assistant Secretary for Economic Matters was Tony Albrecht. Anyway they felt they needed some help to try to steer this initiative into appropriate channels. What they were really after was a watchdog, somebody to look over AID's shoulders to see that they don't go off the deep end. The targets in East Asia were pretty much all the ASEAN countries. Indonesia was one of the targets. Thailand was one of the targets. I was called over rather hastily to make sure that these AID projects were harmonized with other agencies. Just to give you an idea of the multiplicity of economic activities emanating from this town. You had OPIC. OPIC means it was the insurance. Overseas Private Investment Corporation. It was basically an insurance organization to insure private investment going into developing countries. It is still in existence. You had Commerce with its own activities. You had the trade development program which itself was already in AID. Then you had the Export Import Bank. Now just think of this. You had all this multiplicity of activities which were basically designed to strengthen our economic relations in Southeast Asia. Then you had a new initiative and a new bureau being set

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up. A new bureau was set up in AID with an Assistant Administrator, the same level as an Assistant Secretary. The lady in charge was the wife of the Governor of Delaware, Mrs. DuPont of DuPont fame. So, I was asked to interface with Mrs. DuPont and find out what was going to be done there. They also wanted to have a private sector reconnaissance mission on which I accompanied the good lady along with a whole lot of other AID staffers. This was to see how things were going to go over in those recipient countries. Essentially it meant having to work with private sector organizations within the countries involved as well as with the Americans. The American business community was highly skeptical of this right from the start because they thought what do we need additional projects or help to try to bring things together. The host countries were also skeptical about why are we messing around with what they are trying to do with their own private sector development. In many instances this would step on the feet of the special vested interests in all those countries as we all well know. Anyhow, I was occupied with that particular initiative.

Q: Excuse me, what was Mrs. DuPont's background in this particular field?

BARDACH: Very little.

Q: I'm not trying to demean it but she was basically brought in because she was at least in your perception, the wife of a governor rather than because of her own...

BARDACH: Right. Mind you, I don't recall now, she was a woman of intelligence. I don't remember what her background was as far as work. I think it was very much domestic kinds of things, a very attractive personable lady, but she had no particular background in the foreign field, so she surrounded herself with specialists and people. I remember very distinctly, I had many long sessions when she would call up and say come on over to my office, I want to talk about this. I think she was smart enough to know she should have some lieutenants to help her in this endeavor.

Q: How successful would you say this mission was?

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BARDACH: I would say that as a reconnaissance mission it was probably successful, not necessarily always in a positive sense. I think it gave AID a pretty good idea of how far they could go in this. It gave them some idea of the parameters and limitations. Trying to induce a country or help a country in developing its private sector is not an easy task. Obviously the White House wanted a private sector initiative from AID, it had to be implemented, they were funding. So, I decided early on that we should use this as a catalyst to help our own business community. For example, if there were some technical assistance funding that was available to teach people how to do a certain kind of mechanical work that would fit into some local company's interest in manufacturing turbines or generators or whatever, we would somehow or other find a way of linking these two. A local entity could benefit from having this training. In turn this training would attract some American investment interest because of the availability of trained personnel, and not necessarily hardware. It possibly could stimulate the export of a particular kind of hardware or machinery or computers into the system thereby stimulating not only the private sector economy in the country but hopefully also bringing in some American investment and trade. Sort of coat tailing. That was my idea. Well, hell, if we are going to do this let's see how to help American business. And of course, as you might well imagine, bureaucratically speaking, I had great allies because Commerce was very much attuned and so were other agencies.

Q: The Chamber of Commerce

BARDACH: Oh of course, but the local chambers in these countries were much more skeptical. They really didn't know what we were doing. It sounded a bit like Santa is coming, but they weren't sure exactly what was in his bag. OPIC too. In a sense what you have here is a wonderful example of competing elements emanating from the US Government. It was this kind of diffusion. This kind of activity was a challenge to the State Department because in the final analysis it is the State Department that has to put all the pieces together. That's one reason I was brought over. I guess I'd developed the

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reputation as a good inter agency coordinator which is maybe a euphemism for knocking heads together. This kind of coordination was of great importance in the subsequent two years when I was actually Economic Policy Chief for the whole bureau and at times also Acting Deputy Assistant Secretary in that role. This inter agency element is very important. Of course, it is that kind of thing which frequently confused Capitol Hill. It is that kind of thing that brought forward as it still does today, recommendations to try to centralize all these foreign economic activities. The whole idea that we've heard about several times, and it's never happened, and frankly I doubt that it will happen in the near future, the idea of doing away with the Commerce Department by taking away from the Commerce Department the international trade functions and joining it together with OPIC and the functions of the special trade negotiator and putting it together in a new thing. I'm not sure that would necessarily solve the problem because it would simply set up another type of organizational structure, not necessarily any more tightening of the managerial procedure. That was the period then where I had pretty much a five or six or seven months in this special assignment. I was working from the Indonesian desk. During that period just as an example of the kind of thing a Foreign Service Officer has to look forward to is the coordinating role. We sent out a commercial interest working group for Indonesia. Indonesia was one of those countries, and I knew from just having been there and working there and having served there where there were so many elements flowing together, different kinds of programs and objectives. Mind you all of them under the rubric of strengthening our economic and commercial relations were very good, but it required a tightening and a getting together. So, this group was set up. It was applauded by the top levels in the department because it simply meant we had another way of getting the different agencies and programs together at least so that the right hand and the middle hand and the left hand would know what they were doing and not work at cross purposes, and that is a very good thing. Again to get back to music, somehow or other I think what we have here in Washington in our bureaucratic machinery is like the stage of the concert hall at the Kennedy Center which is currently being rebuilt. One of the problems with that stage was that the fellow who was playing the fiddle on the left hand side couldn't hear

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what the cellist or double bass player was playing on the right hand side, and the brass and woodwinds sitting in the back rows couldn't hear what was going on in the front. You had this kind of situation in Washington.

Q: During this period of '81 '84, ASEAN was really beginning to take off. This is when we talked about the tigers and you threw Korea in there. You were dealing with Asian policy; what was our attitude toward ASEAN at that time?

BARDACH: A very positive attitude, and a very forward looking attitude because we felt that we had everything to gain and nothing to lose with a stronger ASEAN grouping and the increase in trade that was taking place bi laterally between us and Singapore, Thailand, Indonesia, all these countries. It was a means for us to have outside of any GATT or world trade organization, a means through the bi lateral talk mechanism etc. influence their own policies, always looking to opening up markets, always looking for potential trouble makers such as infractions of copyrights, things of that nature. Obviously, also it was a two way street because in the ASEAN dialogue, the ASEAN countries in that relationship also had an opportunity to raise issues with us. They liked this because they weren't speaking to us individually. They would run to us and raise issues bi laterally quite clearly. ASEAN as a whole developed a certain amount of clout, having these annual ministerial meetings which the Secretary of State usually attends. In fact, I went to one of them, a highly interesting one in Singapore where I was on Acting Secretary of State Walter Stoessel's delegation. Haig had left and Shultz had not come in. Secretary Haig had left in kind of a huff. I traveled with Walt Stoessel to the ASEAN meetings. It gave them a chance to tell us what their problems were. Among those were a multiplicity of things. Some of them are specialized and yet they can create a great many frictions and problems in international relations. A good example would be food and drug restrictions which impacted on imports to our country of a number of products such as shrimp, fish, and canned goods, things of that nature which many of these countries felt very strongly about. So, they would have an opportunity to raise these issues with us. A perennial favorite, of course, was textiles. By the 1980s, textiles had become a way of life for the

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ASEAN countries, and textile quotas had become a way of life for us and for them as it is today. That was another opportunity for them. We also had some longer range aims for the ASEAN relationship, and that was to see if we couldn't induce these countries to establish sort of uniform codes for foreign investment. We worked at least some coordinated approach so that a potential investor would pretty much know that no matter if he goes to the Philippines or to Malaysia or to Indonesia, certain basic rules would apply. That is a more difficult thing to accomplish because individual countries do have their own ideas. Investing in a foreign country is really a function of that country's own national economic priorities. There are some countries that would open up their arms for certain kinds of things coming in from Japan or Germany or the United States. Another ASEAN country might say no this is something we really don't want or need and therefore we are not going to let this come in. You can't get that kind of uniformity, obviously. In terms of protecting investors and legal processes, you can try to accomplish some uniformity, and people have been working at this, not only from the US side but the World Bank has been working on this, the International Finance Corp. One of the accomplishments my office cooked up after considerable negotiation with our own business community was a US ASEAN technology council. The idea was to get some new technology into the ASEAN area so that we can coat tail any activity of this nature to open doors for US companies. Basically that's what it boiled down to.

Q: While we are looking at this, it is only six or seven years after the fall of South Vietnam. How did we view from an economic policy perspective, the Communist country of Vietnam? Did we see it as a future ASEAN country? How were we looking at it at that time?

BARDACH: In the period that I was Director of Economic Policy, in part because of the negative attitude on the Hill, Vietnam was not given any particular economic priority. I can't say that it was. The reason was it was still too recent from what had happened. Whatever priority there was involved the missing in action. That was a major issue that occupied our Vietnam desk, the desk dealing with those countries a great deal. At that point you

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might ask did we anticipate that some day things would change. I certainly did because the evolution of our history has shown, we had the experience with China which I was involved also for a little bit, the opening up of China to trade and all of that. Even in those years when I was active up to '84, there were already companies that would come by and see us and say we are interested in drilling offshore oil off Vietnam. There were already feelers by many people to see what we could do, but basically in terms of a formal policy on it, it was a closed shop. There wasn't anything the US Government was prepared to do at that point economically, quite in contrast to later.

Q: How about China during this time?

BARDACH: Our relations were improving by leaps and bounds. We had established an Embassy in Beijing with a large economic section. American investment was flowing into China. American investment increased very markedly. The Shanghai Communiqué was really born of the first visit of President Nixon. One of the main issues was whether we would continue to sell arms and military planes to Taiwan. That became a major issue. I wasn't directly involved in this. It fell to Assistant Secretary Holdridge who was one of the ace China experts, of course, and still is today privately. He negotiated with the Chinese, language and an arrangement that would allow us to sell certain kinds of military planes to Taiwan. That was a major issue. There was a major issue very definitely, and I was involved in that. That was the question of nuclear power. There was a very keen interest on the part of a couple of our major companies to move into a business relationship with the Chinese in Nuclear power. But there were several questions. There was the Chinese attitude toward non proliferation. They were members of the International Atomic Energy Agency in Vienna, but they hadn't signed on the dotted line for the arrangements we wanted them to agree to, particularly the matter of exporting nuclear know how to other countries such as Pakistan. This was very tricky and it held up our ability to approve and give the green light to the American companies, one company in particular who had negotiated very hard and fast to move into this situation. I was in Beijing for a number of meetings on that issue and also with the American business community. That was

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very revealing. I'm jumping ahead here to '84, but it doesn't matter. I was asked to go out to go out to Beijing for a number of meetings on this power issue, but also to meet with the American business community to find out what their experiences had been up to this point, new experiences. So, the Embassy set up meetings for me. I spent two or three very interesting days in Shanghai which other than Guangzhou in the South which is Canton which I have not been to, which is a big business center, Shanghai has always been known as a big business center. It is also a big textile center, and a lot of American companies have moved in there. The Chinese, just to give you an idea of the openness, in fact things were probably up to that point as good as they had been in terms of our relationship. You didn't have to be afraid to go off on your own. I took one trip entirely on my own to Wuchuan. I took a trip up there on my own on a train. I even had to find my own way to the railway station which was quite an experience I must say. I thought somebody would come along with me or the Chinese would say some fellow will meet you when you get there. It was a major undertaking, but it was all very friendly. People would like to talk to you, especially young people, because they all had their eye on education. One of the big impressions I had, this is going off a bit from the commercial side, was that the younger people that I talked to such as people who took me around or helped me, were all very eager to learn English. They'd say we are studying English, for my next two years I'm studying English, hoping that at some point they could come to the United States to enhance their English further. It was a real desire to learn English, and I think that if you project this even in a limited way the desire on the part of the Chinese to have their people learn English. I think in schools they are encouraging English such as the Indonesians have for a long time. I think this can't help but bring good results because if nothing else you talk about we have to communicate with these people; we have to meet with them. Obviously it has helped a great deal for these people to know English because it is so much more difficult for us to learn Chinese. Even though we have more Chinese language people today than we had some years back it is still a very limited number. In Shanghai, I was asked to meet with a group of what they called the Economic Council of Shanghai which was kind of a chamber of commerce, but it was really the people that ran the

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economic sinews of the city. Here you had bankers and some of the textile executives, and they were a highly articulate group. When I met with them, I had about a whole two hour morning with them, very bright. In fact, the chairman of the economic council had a Ph.D. from Harvard. Why not? He was an older gentleman who had been at Harvard before the Second World War. The impression that I had at that time still clings in my memory was that talking to them even though nominally at least this was still a Communist society, an autocratic society, talking with them was not different from talking to an economic council or similar grouping in Southeast Asia, Singapore, Malaysia, Thailand, because they had a common interest. The common interest was to increase trade. Shanghai wanted to get back on its feet. Many of them were textile manufacturers or had a hand in the textile business. One of the things they immediately talked about was what about your quotas. So, it was like old home week talking about the same things.

Q: Next time we'll talk about Japan and you wanted to...

BARDACH: Yes, there will be some other subjects. For example, you had asked about China. There was a very interesting development a major development when the Chinese decided they wanted to join the Asian Development Bank.

Q: Let's not get into that; we'll talk about that. And then about Japan. One of the questions would be during this '81 '84 period, intellectual property problems.

Today is 24 February 1997. Henry, we are still in this '81 '84 period. What was your position again in the EA bureau?

BARDACH: In the EA Bureau in that period, I became the Director of the Office of Economic Policy which by that time had grown quite considerably and had a staff of something like six officers.

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Q: We were going to discuss some points. The one we mentioned at the end of the last tape we'll pick up except for the Pacific islands that you say you had really little to do with. Let's talk about Japan first. We have covered some of the other countries but Japan is one we haven't done.

BARDACH: During that particular period, most of the principal issues with Japan were really in the trade field. This was, of course, nothing terribly new, except that during that period, the Washington bureaucracy really intensified its efforts to "open" the Japanese markets for US commodities and for US technology. By this I mean particularly the office of the special trade negotiator in the White House had become almost a very large you might say agency although it was technically part of the White House. It developed a very large staff, some very good people indeed who took pretty much the lead at hammering away at the Japanese in many different areas and many different fields, commodities, technology. The Special Trade Negotiator came up with a completely new methodology with which the Japanese agreed; mainly a sector by sector approach to our trade problems and trade issues.

Q: Henry, did you find that you were in sort of the classic, caught between the classic conflict where the Special Trade Representative wants to get a special deal for American goods period; the State department has the position we have other fish to fry too; we have stuff with the Japanese. Although trade was the major point at this time, there was always something else. Did you find yourself caught betwixt and between?

BARDACH: Oh absolutely, because there is no question about that; we had other fish to fry especially in the defense field, in matters involving Korea, the whole panoply of issues in Asia. But, by the early '80s, the State Department certainly had moved away substantially from what you might call a Japanophile bias which in the old days was certainly much stronger than it was in that time. I mean that the people from Assistant Secretary on downward all felt that there were really some great obstacles in our trade situation with the Japanese, and that the Japanese had really been recalcitrant and

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that they needed to come around. So, to answer your question briefly, yes there were these conflicts as there always are with any country, but in this particular instance, I think the State Department tended to be certainly very cooperative in our major objective to open Japanese markets and to eliminate restrictions. The complication arose that at that time we had instituted certain emergency procedures, some 301 actions as it was known. Under section 301 of the trade laws the President had a right to make a determination that a country was not adhering properly to the international trade rules and could impose special actions. We had a number of these that came right down to the wire of the President taking such action. Then at the last moment, something would give; the Japanese would come along and make certain concessions. We had a lot of situations of that sort. You have the enormous panoply of agencies with an interest in international economic matters. Not only USTR, the negotiator who in a sense took a lead, and in the inter agency meetings, they would chair these meetings, but you had a tremendous number of other people who would participate in these deliberations. You had Commerce, you had Labor; you had Treasury; you even had Defense. I mean an amazing number of people representative of our commissions like the Telecommunications Commission, things of that sort. All would participate in these deliberations, and this made it at times extremely unwieldy to come to a decision. I think on the whole, though, we did make progress in that period with the Japanese; although, in many instances it was very slow and tedious.

Q: What was your impression during this period, '81 '84, of the Japanese position and how they would respond to our demands in terms of both tactics and strategy?

BARDACH: As you know the Japanese decision making processes was probably as complicated as our own. You have a bureaucracy which is very heavily entrenched, doing their own thing, who are captive to the many different associations within Japan. You also have the Foreign Ministry which has its own axes to grind, and above all you had MITI, the Ministry of Industry and Trade. MITI in a sense being a law unto itself. MITI frequently were very handicapped by the entrenched bureaucracy of these various associations who

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would monopolize the actions they would take or not take whatever the case may be. So, to answer your question briefly, I think the Japanese did try to meet our requests as much as possible, but my impression was that it was all very heavy, very slow, and it was the kind of thing where you took two steps forward and then again something comes along and you take one step backward. It was this kind of funny fox trot that was going on.

Q: I would have thought that all of you, you mentioned the whole panoply of agencies, departments and all that were involved with our trade negotiations with the Japanese, the trade Representative and all, by this time you must have been as familiar as one can be with the Japanese process of knowing this. Were there any tactics you could use or strategy you could use? I mean you are up against this thing. Other countries have the problem of how to deal with the United States where you have the State Department which is executive, and then you have Congress which does its thing. What were the tactics? How did you deal with this?

BARDACH: With the Japanese we had a number of techniques. One was, of course, very frequent regular meetings. If I remember, we had twice a year cabinet level discussions among the various key economic ministries. These meetings in a sense sort of set the stage. But then in the meantime we had very frequent missions, people from USTR going over there frequently accompanied by someone from State and Commerce but sometimes not because our Embassy which is large in Tokyo obviously with a very large economic staff would participate. The basic technique was to engage the Japanese continuously in a dialogue. A lot of these were highly technical dialogues with business representatives knocking at the door of USTR and in a sense pushing them on these negotiations. I would say that the overall strategy was to keep the Japanese feet to the ground. Tactically it was done in many different ways, particularly through missions, through a continuous series of bi lateral talks. I mean that just went on and on. Again let me remind you by this time it was broken down by sectors. There were these sector talks.

Q: Why was it so important to have it by sector as opposed to overall...

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BARDACH: Oh, very important. Because in Japan, you have the various associations that would control. To give you an example, the whole issue of baseball bats. It sounds ridiculous but it was a very good example of how the Japanese internally would try to keep out foreign, especially American baseball bats, by setting certain safety standards that they had to be a certain weight and a certain size and things like that. If we didn't meet those standards, then this automatically eliminated them from the market. This kind of highly technical intricate problem on a given commodity, on agricultural commodities as well, on the import of American film which, by the way, is still an issue today. It made it essential to try to break these things down. It becomes so complex that to sit down with the Japanese and say, oh, the whole thing is bad; do something about it. Slowly but surely we realized that this wasn't getting us anywhere. These high level summit meetings that took place ad nauseam clearly weren't getting us anyplace. Therefore our own business people and the specialists in USTR and Commerce decided the best way to approach this is by sector. This is what gave rise to, that was while I was Director of Economic Policy, and I recall very vividly going to endless meetings involving all these other agencies. I think when all is said and done, by culling out the principal areas and concentrating on them including technology and intellectual property and things of that nature and all the issues like the very tedious talks about allowing the American insurance companies to operate in Japan. I mean you can see just from the short list that I mentioned now, to try to do this in one big negotiation would have been much too cumbersome. It wouldn't have worked really.

Q: Well, let's turn to intellectual property not just in Japan but in Asia. What was your role during this '81 '84 period?

BARDACH: My role again was to participate in the various working groups that were set up to deal with this particular issue. Now, in this particular case the Commerce Department took the lead. Again depending on the area, it was a slow and rather tedious process. We had special working groups set up for particular countries. For example, we had a working

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group set up for Indonesia that dealt with this particular issue. My role was primarily a domestic one. I never went on any missions that dealt with these particular technical issues on intellectual property. It was a very important coordinating function. One of the aspects of State Department regional bureau work is to not only find out what is going on in the countries in the area, but more importantly, what is going on in the Washington bureaucracy. Frequently there would be things happening, people going out to the area for discussions that we didn't even know about until they got there. It was this type of thing that created really considerable headaches for the Assistant Secretary and the senior staff. I was charged with kind of becoming a watchdog so that we knew what was happening and who were involved as much as possible in whatever negotiations or talks were going on.

Q: Can you give an example of from your perspective where some of your problems lay concerning intellectual property or other groups or departments setting off on an intellectual property crusade without your coordination?

BARDACH: Well, I think there were a number, I don't remember precisely all the entails, there were a number involving Taiwan and Korea where such activities were entrained. Eventually we got ahold of these things and tried to put them into proper perspective. There is another aspect of this, of course, that spilled over into our dialogue, discussion, relationships within ASEAN. There the ASEAN mechanism had a useful function not only for these countries coalescing their own actions together on intellectual property but also for our viewpoint. It provided a means to get the American bureaucracy together on all of these issues under one umbrella, the umbrella being ASEAN.

Q: During this period, I mean we are talking about the rise of the computer the rise of the cassette, the Xerox, the whole mess, where intellectual property was a problem before, all of a sudden techniques for stealing stuff or copying stuff had expanded beyond any conception a few years before. Did this raise all sorts of problems for you?

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BARDACH: Yes it did, but it was all part of the whole list of issues. I don't recall any instances where it became something where it affected our relations with a country more than anything else. It was just part of a whole list of grievances that we had or that they had in what we should call protectionist actions that were taken on both sides of the Pacific. Intellectual property only recently became an issue with China, their copying CD's and films and things of that nature. It did become, at least I think for awhile, a major issue; they closed factories. Those are recent developments and after my time.

Q: Can we talk just a bit, we are sort of touring the horizon here, of Taiwan. That had always been a real problem as far as intellectual property is concerned, but also just Taiwan per se. We no longer technically had relations with it. How did we view it particularly from you as an economist, your purview of its development and relations with Taiwan on that economic plane?

BARDACH: First of all, of course, we did not officially deal directly with Taiwan on the diplomatic level because that was a no no according to the Shanghai Communiqué. We gave up what you might call our official diplomatic relations with Taiwan. It is well known that we continued our relations with Taiwan with the agreement of all concerned by setting up a private institution, The American Institute in Taiwan, which became our means of communicating and maintaining contact. By the same means, the Taiwanese government had some representatives here. There were definitely ways of communicating, and the Taiwanese had a very special kind of Ambassador at large. He was not only an Ambassador he was an economic representative, who would come and knock at our doors to make sure that the Taiwan interests were taken into account. A good example of this is when the People's Republic of China came along and said, well, look fellows, we want to be a member of the Asian Development Bank. The Taiwanese were very much concerned, and they had good reason to be concerned because they had substantial funds, Taiwan being a very viable wealthy economic entity. Their role in the Asian Development Bank was a very important one and they had considerable assets in the bank, so the idea of

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suddenly giving this up certainly did not appeal to them. There were at a non diplomatic level, but in a sense it involved us, there were discussions in which I was personally involved too, with these people to see what they might eventually agree to, and how could we accommodate the Chinese request to be a member. Since Beijing was China, and they were in the United Nations, and the ADB was a sub organization of the international community, so some way had to be found to bring them into the bank. Eventually a way was found. It was a very difficult and complex situation, and the financial aspect of it had to be worked out so that it would not be entirely disadvantageous to Taiwan. Let me hasten to say that the spokesman now in the ADB is a representative of the Beijing government. They are now the active participant in the bank.

Q: How did you, I mean obviously also the State Department, but you as the point person view the economy of Taiwan at this particular time?

BARDACH: We viewed it as an extremely buoyant significant entity with an important trade relationship with us. We imported very heavily from Taiwan. We also exported to Taiwan. There is no question that we viewed Taiwan like we did any of the other Southeast Asian tigers like Taiwan or Singapore or Indonesia. Again an example of how they were treated no differently than any of the others in the always sensitive, very special textile area where we had negotiations ad infinitum with all these countries including Taiwan on quotas. The Taiwanese had to play that game like all the rest of them.

Q: What about Australia and New Zealand? What were your dealings from the economic aspect in that area?

BARDACH: Well, Australia and New Zealand did fall within the bureau's purview; although I must say that in terms of priority attention, they were kind of at the bottom of the list, not because we didn't like them or they weren't significant or important, but there weren't that many issues. In the business of foreign policy, all these things are issue oriented. Big issues with China or Japan, these are the things that take precedent. In the case of

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Australia and New Zealand, we really at that juncture, there were very few issues left that preoccupied us. One very important one was the matter of our imports of meat from both New Zealand and Australia. That was a continuing series of talks again involving quotas and restrictions with both the Australians and New Zealanders pressing us, also on milk products I might say. Here again, much of the weight of that type of thing was our dealings with our own Agriculture Department. You were always chasing offices or personalities to make sure we knew what was going on because sometimes you would be very surprised. You would talk to somebody at the New Zealand Embassy and they would say we've had a problem with this. We should say My God, why didn't you tell us sooner. Very often the Embassy people here would deal directly with the Department of Agriculture. To the extent we weren't aware of that, it was doubly difficult to intervene. This is an example again of how bureaucracies can interfere with the processes of international relations. We'd have to tell them, "Look fellows, why didn't you come to us first or at least let us know what was happening?" and we might have been able to step in a little bit sooner and pour some oil on the stormy waters. This was in the agricultural, food, and meat area.

Q: Did you find that the Reagan Administration was taking a different tack than previous administrations in the food and international culture areas?

BARDACH: Not appreciably, no. The predilection of the Reagan Administration was basically a laissez faire one, and it was not favorably disposed to international commodity agreements as a whole. But, then when it came down to specific elements of commodities or whatever, then of course, you ran into the politics of it because Agriculture is obviously beholden to a number of states and the committees on the Hill which play a very important part in this. When it comes to protecting the interests of your constituency, you obviously would have people who would sound off and say, oh, no. The Reagan Administration was no more or less susceptible to this kind of pressure than anybody else. During this period when I was kind of the Senior Economic Policy man in the Asia Bureau my contacts were very close with the Undersecretary. We had an Assistant Secretary for Economic affairs, but we also had an Undersecretary, Allen Wallace. He was Undersecretary for pretty much

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the whole Reagan Administration. A lovely gentleman who had come from Rochester. He had been one of the top executives of Eastman Kodak, and he was appointed by Reagan into this very senior position. He was not only a smart businessman, he was an economist, or at least had economic knowledge. He was a professor at one of the universities, and he was a speaker. Allen Wallace was definitely on the free, open market philosophy side, no question about that. It was quite a challenge to work with him and persuade him that there were certain things that these countries simply believed in, certain kind of arrangements on commodities. He was always against it. He said, commodity agreements whether on sugar or coffee or minerals, they don't work. Of course, in the broad spectrum of things, he was quite right. They don't work too well. They create more headaches. During that period, there was quite an evolution in the American support to special projects in the developing world, especially Asia and Southeast Asia. They believed in such things as a common fund under UN auspices to stabilize commodity fluctuations. We had given some support, reluctantly, but eventually some support was given to this common fund to have resources and financial resources to even out financial fluctuations. In the Reagan years that just collapsed completely. Allen Wallace was very much in support of letting these things disappear. I think in the long run, that was probably for the better because it wasn't relevant anymore. There were other economic issues that I think were far more important. You asked about Australia and New Zealand. We had regular talks to make sure that the Australians and New Zealanders didn't feel that we were giving them short shrift. We had annual meetings with them, annual economic talks. I accompanied the Undersecretary twice to them. We had the talks after an ASEAN ministerial meeting, we made a stop after that. That was with Acting Secretary Stoessel, Walter Stoessel who at that time was Acting Secretary of State. We had a stop for such discussions, ANZUS discussions in Australia, and we had a stop in New Zealand. Then we also had a special bilateral discussion with the Australians and the New Zealanders on economic issues which I attended with the Undersecretary. In a sense those were not so controversial that they created major problems in our relationship. The big problem in our relationship with New Zealand was the presence of our navy, and our reluctance to either confirm or deny that

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these naval ships carried nuclear weapons. You may remember that eventually caused the New Zealanders to withdraw from ANZUS, but that didn't mean that we broke off relations with them. We still had these annual discussions. But, that was an issue.

Q: Oh it was a major issue with New Zealand. If you get right down to it, New Zealand is not exactly a major player in anything, and it is just a little bit sad that we got off on that. Well, is there anything else we should cover in this area before we move to the next time?

BARDACH: During that whole era, it became more evident that the State Department had to be very active with the American business community. Despite the fact that the Foreign Commercial Service had already been established, and Commerce had a degree of independence on the commercial and trade field, the State Department contact with the American business community at various levels for briefings, political briefings and economic discussions increased enormously. There was in the economic bureau a Deputy Assistant Secretary set up for commercial relations. The Undersecretary was, of course, very sensitive to the support and interaction with the American business community. In our bureau, we had a particular feel for this because of the presence in Asia of the Asian Pacific Council of American Chambers of Commerce. The acronym being APCAC. Now one might wonder this is just another one of these American Chamber of Commerce type of organizations you know, get together for lunch and this type of thing. But, APCAC, this particular organization, and it is still the case today, became increasingly powerful, increasingly important, increasingly vocal, and well organized. That meant that here you had significant representatives of the American business community in Japan, in all the countries, Taiwan, Singapore, the ASEAN countries, forming a very strong group, having meetings twice a year to which they always wanted to have representatives of the American Government, of the Embassies, and pushing to very high levels their concerns about our policies in the area. They should have annual "doorknob" meetings, delegations coming to Washington knocking at the doors of different Congressional committees. They became so vocal and so active that even if somebody said forget about them, we have other fish to fry, that was not the case. We found that they were actually very cooperative

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and very helpful in pushing certain policy objectives, for example, intellectual property and textile issues and things like that in supporting the State Department position. There was, for example the very sensitive issue of the Chinese wanting to join the Asian Development Bank. They were going to a meeting wherever it was, and I attended many of these meetings, they were in Singapore and Bangkok etc. They were going to put a resolution in their public statement of the meeting on this ADB issue. We persuaded them not to do this because we felt it was too delicate an issue at this point to rock the boat. They had a very important role to play in which they pressed us very hard all the time on the question of the Foreign Anti corruption legislation which frequently the American business representatives felt that this was going too far. It was very restrictive to their effective operation in the area. They were very vocal on tax issues. This became a very important aspect of our economic relations and commercial relations with the area. There were instances where this was really pushed to the White House level. For example, they were going to have a meeting. The President was going out to the area at one point. There were several Presidential visits. He was going to be in Seoul, Korea, and the American business community said, oh, wow. We've got to have a meeting with the President. Of course, the whole APCAC, all the representatives said, "Oh, yes! We'll be there," etc. This was very difficult to bring to pass because the schedule of the President on these State visits is always very tight, but we finally, we meaning the East Asia Bureau, the Assistant Secretary and all of us, we finally persuaded the White House that this somehow or other had to take place. It did take place, and the American business community was very grateful to the efforts of the State Department to bring their senior representatives together with the President. I might say I think the Asia side of things, the Asia Bureau in the State Department was well ahead of every other area in the world in keeping this close liaison with the American business community and the official side of our relations. This is still relevant or even more relevant because now you have the APEC. All the Presidents since Reagan have embraced APEC, the Asian Pacific Economic Community, and of course, they had regular meetings at the head of state level. That relationship has been carried forward very much.

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Q: Henry why don't we move now to the last part of this oral history. In 1984 you had another position which you had for about a year. Is that correct?

BARDACH: Correct. I became director of what was then called the Office of Systematic Document Review, which is now known as the Office of Historical Documents Review. Incidentally, it is being reorganized now and it will have a new name. Essentially the activities remained the same over a period of years. In 1979 the activities under the Freedom of Information Act, and related activities under the Privacy Act, under the National Security Executive Orders were determining what types of information had to continue to be protected or released. Under all of these things the activities increased. The regional bureaus found that this was an enormous additional burden that they had difficulty in handling because, obviously, a regional bureau is concerned with current issues not historical issues. So a whole new office was set up within State dealing with these issues, freedom of information, privacy and classification FPC. A small, we like to think elite office was set up then, to deal with number one, the foreign relations series with the United States, the de classification of the documents or the manuscripts that were being prepared and also the sanctioning of the State Department files to the National Archives, the screening of these files, plus special diplomatic issues in the whole field of de classification, contact with other countries etc. This became a going concern. Larry Pickering became the first office director. He was succeeded briefly by Chuck Flowery and Bill Hamilton and then yours truly became the director of this particular office. It became a major operation in terms of work load because of the increasing requirements not only of the historian's office, the Historian of the State Department, but also by the pressures of the academic community to expedite this whole process, a lot of political pressure to speed up the whole file accession process. My position as director, of course, was to coordinate this activity. I was the only full time employee. I was still in the Service then; I was not too far away from mandatory retirement, but I was still in the service full time. The staff consisted, as you know, of re-hired annuities, people who were on a hired annuity status as well as people who were hired with a good background for a particular area or

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function who were rehired on a contractual basis. One of my big tasks was to deal with personnel people who were somewhat reluctant. There was some opposition to hiring people on a contractual basis because for one thing, these are extra budgetary types of things which personnel and budgetary people are always reluctant to do things over and above the budget. But, always there was the lingering thought of why not hire full time Foreign Service officers who have nothing better to do but walking the halls and put them in. That was easier said than done because usually this was not the kind of career developing assignment that active younger Foreign Service officers were interested in. The other big issue that I became involved in was to get the other agencies to beef up their own process. Here we worked with the NSC, the national Security Council staff, who also have a section dealing with the declassification of NSC documents in getting a better response from other agencies, especially Defense and whoever else was involved in documents to speed up the process of the declassification of manuscripts they had an interest in. In fact, we managed to get a Presidential directive to all the agency heads to remind them of the importance of the historical series and of the time element involved, certain time requirements to move these things along. This was, of course, all changed a little bit later when Congress passed a law actually requiring certain time elements. At that time, it was 30 years. It had to be 30 years when volumes should be published. This has since been reduced to 25 years. That was certainly one of the issues. It was my own initiative along with the then Director of the National Archives to induce certain international organizations to do something about a diplomatic documents review process which didn't exist. The two big examples here, one was NATO and the other was COCOM, the coordinating committee which existed during the cold war period headquartered in Paris, which existed to coordinate these export control policies which became a very significant element in East West relations during that period. That was an uphill struggle. Actually I went on a couple of missions involving the countries who were very much with us on this especially the British, discussions with the British in London, discussions with the NATO staff, our NATO mission and NATO senior staff in Brussels, and discussions with the Germans in Bonn. Just to liven things up a little, let me mention an amusing story

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when I came to Bonn. The gentleman from the Archives had peeled off to go back to England to work on some matters there. The Embassy had arranged appointments for discussions within the Embassy and then a discussion with the senior archivist within the Foreign Ministry in Bonn. A kindly nice, elderly gentleman who was almost typecast. If you would cast a Hollywood movie about a German archivist, Herr Professor. The man was very close to retiring, and he was very busy. While I was there, there was a delegation from the states coming in to check on Nazi documents in preparation for the Holocaust Museum and things of this sort. We went to this man's office, and we were sitting in the antechamber there waiting for him to receive us, and finally this gentleman, elderly gentleman a German came out, and somebody from the Embassy said Oh yes, good morning Herr Doktor, and he raised his head, Ah you are here to see me about the Holocaust. That was the last thing I had on my mind. I mean in a personal sense I'd had enough to do with the Holocaust, and I was really not there for the Holocaust, but for NATO documents. He said, "Ach yes. I got my schedule mixed up." It was kind of amusing to come into this German's office and have him say "Ah you are here for the Holocaust."

Q: Well, Henry, You were doing this, the Office of Systematic Review from '84 to '85.

BARDACH: That's correct, and I stayed on in kind of an acting capacity still beyond my retirement, so I was really full time in that office throughout the entire '85 period. After that I stayed on in a part time basis just doing that kind of work which I am still doing today.

Q: Oh I see. Nothing really ends.

BARDACH: In a sense you are quite right, but I think it heightens one's awareness of the significance of the history, and also it heightens one's realization of the generation gap. Increasingly as time moves along, and this was certainly brought to bear during the 50th anniversary of D Day and the 50th anniversary of VE Day, we suddenly recognized how many people in the department are not really aware of the impact and the importance of what was going on because they weren't born. I mean you go and visit a desk person to

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discuss something, and they may be 40 years old. D Day and the beginnings of the Cold War and the Dulles period and the development of the Vietnam conflict and all of these things are very much a matter of the past, something that existed.

Q: This is what we are doing with this oral history program, and Henry, I want to thank you very much. I appreciate this.

BARDACH: Well, it was my pleasure.

End of interview